REGISTRATION DOCUMENT 2016/17

ALSTOM

Designing fluidity*

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REGISTRATION DOCUMENT 2016/17

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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 € 1,533,889,525
48, rue Albert Dhalenne – 93400 Saint-Ouen (France) – RCS : 389 058 447 Bobigny

2016/17

REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the Autorité des marchés financiers (AMF) on 31 May 2016 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 page 284. This Registration Document is available on our website: **www.alstom.com**.

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DESCRIPTION OF GROUP ACTIVITIES

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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.

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. Based on these criteria, 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 addition, if concerns regarding these matters are significant in mature markets, they are gradually gaining more clout in emerging countries.

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.

(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 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. Indeed the COP 22 process has confirmed the international commitment to move forward with the objective of keeping global warming below +2°C.

The increased visibility of climate change consequences will drive the actions of governments and regulation bodies to limit the magnitude of this climate change by reducing greenhouse gas emissions whilst anticipating the consequences of its future evolution. 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.

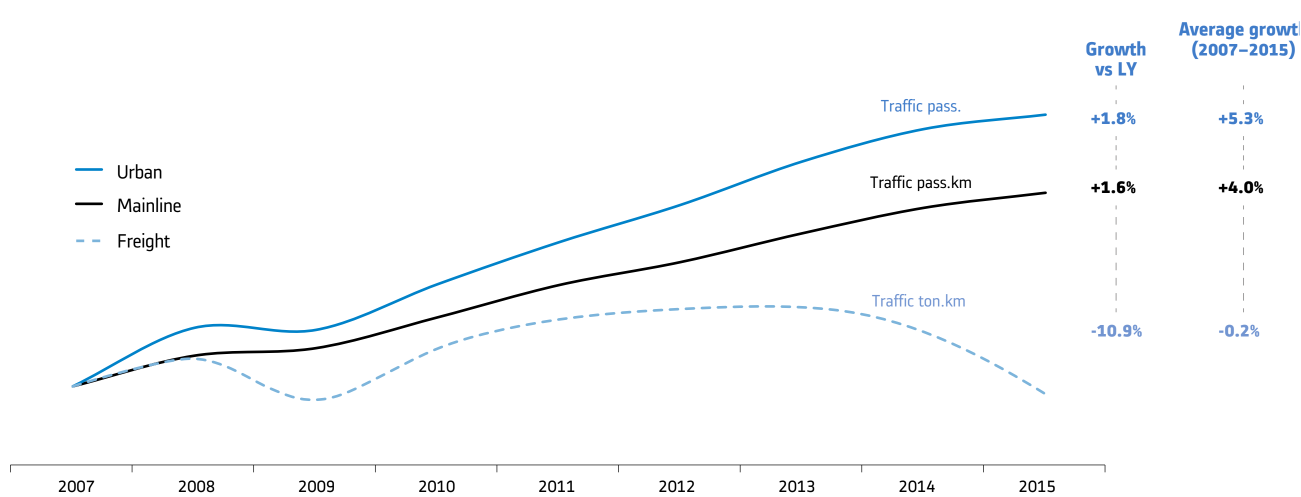
Economic growth

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 2015 and 2021. 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 respectively a more moderate growth around +3% and 4% per year (source: IMF 2016).

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 5.3% and 4.0% average growth between 2007 and 2015. 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 10.9% in 2015 notably in Russia, In Brazil and in the USA.

WORLDWIDE TRAFFIC EVOLUTION FROM 2007 TO 2015 (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:

- 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*).
- 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).

- 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 "Railroad Rehabilitation & Improvement Financing" (RRIF) was promulgated on 4 December 2015 giving access to loans up to $35 billion to the operators, the States and the transports authority to fund development and modernisation projects of railway infrastructures.

Digital Transformation

Thanks to the wide usage of smartphones and to the digital transformation, 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, efficiency on top of the safety, punctuality and comfort. People can more and more use their travel time to do things, save time and facilitate their day-to-day life.

The digital transformation will cause 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. Two examples: real-time data collection and transmission can be used as a lever to improve the fleet and infrastructure maintenance costs; smartphones enable the development of integrated and contactless payment and control solutions.

This momentum will sustainably impact the rail industry and public transport, as a pillar of Smart Cities development.

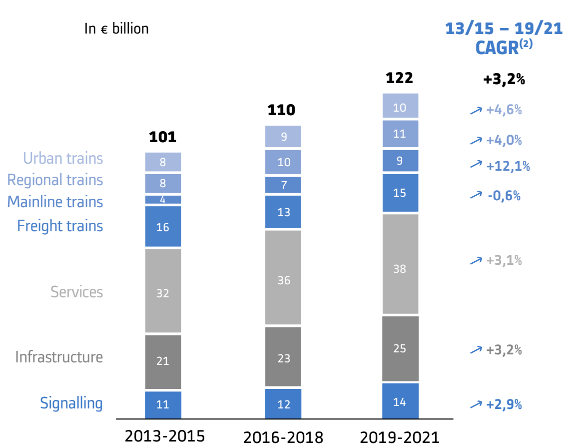
The last UNIFE (Union of European Rail Industries, *Union des industries ferroviaires européennes*) World Rail Market Study underlines the willingness to support this market transformation: "The rail sector has accordingly begun to embrace digitalisation and the associated challenges and opportunities. 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".

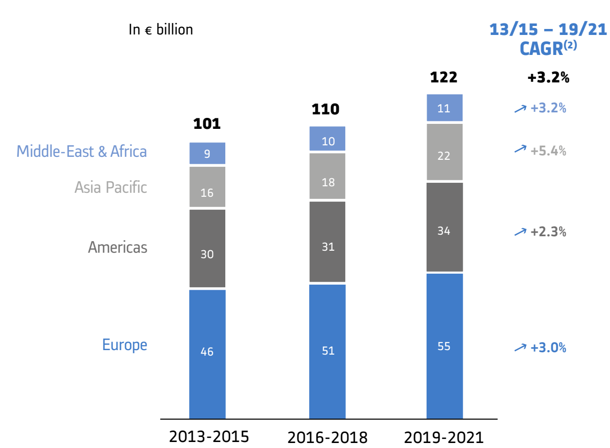
MAIN MARKETS

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 line between Washington D.C. and Boston operated by Amtrak). 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 became a global actor following the acquisition of Ansaldo Breda and Ansaldo STS.

The Chinese train manufacturer CRRC benefits from the development of its domestic market, and the Company has also expressed important international ambitions.

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 second in the other regions (sources: Alstom, orders intake during the year 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. Alstom benefits from solid market shares worldwide, with ambition to be No. 1 or 2 in all continents. 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. The Company aims that 30% of its orders will come from newly developed products by 2020.

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

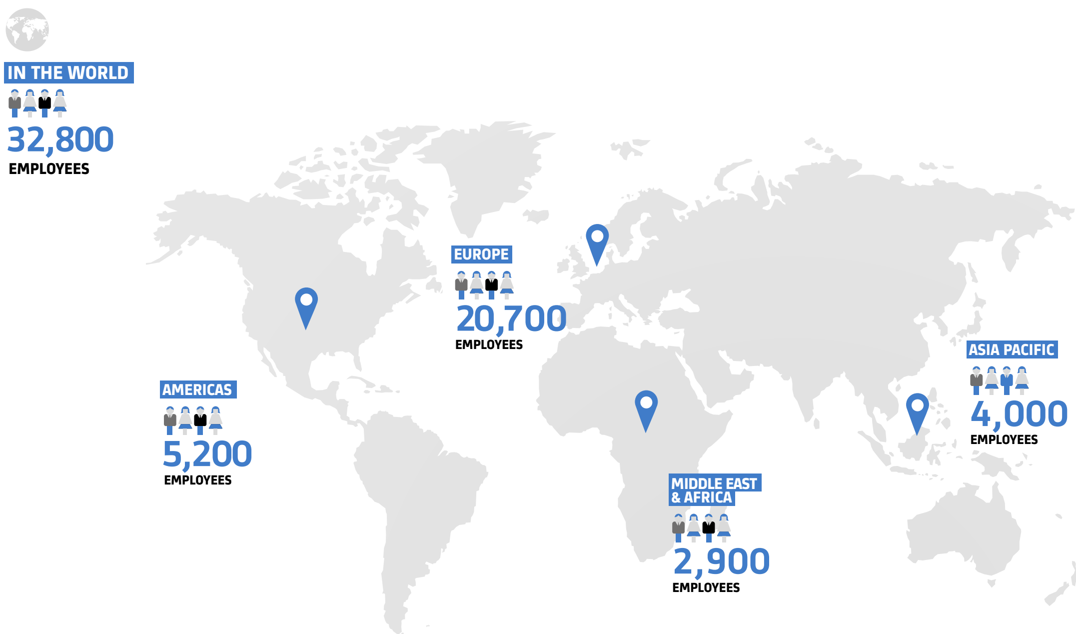
Alstom believes in differentiation as a source of performance and to reflect its passenger base, the Company encourages all types of diversity within its teams in areas such as gender and multiculturalism. This internal cohesion is rooted in the Company's values – team, trust and action – and stringent 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.

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

2016/17

- **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 (signalling)
- **UK** SSL (Signalling)
- **India** Madhepura (locos); **Sweden** Motala (Services); **Russia** TMH (trains); **Kazakhstan** EKZ (locos); **Worldwide** General Electric signalling
- **Morocco** Cabliance (cabling); **South Africa** CTLE; **UK** 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 France, STIF has decided to launch two trials. Aptis™ will undergo 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 15-year track record and more than 1,800 trams in service in over 50 cities around the world.

Citadis™ X05 is the latest addition to the family. This new 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. Citadis™ X05 is due to enter service in Nice in France in 2018 and in Sydney in Australia in early 2019. Alstom has recently awarded its first tramway contract to supply 15 Citadis™ X05 in Taiwan and will also supply 23 trams to the agglomeration of Caen-La Mer in France.

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.

Alstom's tyre-based Translohr trams (NTL) are designed to meet the specific geographic requirements of tram networks with small footprints, numerous turns and steep gradients. With less infrastructure works, they represent a valuable alternative to the Bus Rapid Transit. More than 130 such tram sets are currently in operation around the world.

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. Alstom received its first order for Citadis Spirit™ from Ottawa, Canada, comprising 34 tram-trains to be delivered in 2017.

Metros

Alstom has sold more than 5,000 Metropolis™ cars to over 20 customers 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 2,400 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™ generation 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 2016, Alstom also launched 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. The first test run at 80 km/h of the world's only fuel cell passenger train Coradia iLint™ was successfully performed on March 2017 on its own test track in Salzgitter, Lower Saxony (Germany). An extensive test campaign will be conducted in Germany and Czech Republic in the coming months before the Coradia iLint™ performs its first passenger test runs on the Buxtehude – Bremervörde – Bremerhaven – Cuxhaven (Germany) route beginning of 2018.

High-speed and very high-speed trains

Coradia Liner™ V200 represents 35 years of proven high-speed rail technology and offers different configurations comprising six, eight, nine or ten cars. It can accommodate up to 1,000 passengers in two combined units of ten cars and runs at 200 km/h in commercial service. Coradia Liner™ V200 was designed from the outset with a focus on total cost of ownership.

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 – Pendolino™, Euroduplex™ and AGV™ – represent the culmination of 35 years of expertise and more than 940 trains in service around the world.

Alstom's Pendolino™ high-speed trains ensure excellent flexibility, seamless cross-border service and superior passenger comfort. With its Tiltronix anticipatory tilting technology, 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. Pendolino™ is available with or without tilting technology. Like the entire Avelia™ range, 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 Pendolino™ trains along with 20 years of maintenance. In September 2016, NTV leveraged two options included in this contract for the purchase of four Pendolino™ trains and related maintenance services.

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, 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, Euroduplex™ trainsets feature signalling equipment compatible with each network and are fitted with traction systems adapted to the different voltages used in these countries.

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. AGV™ is available in different configurations of multiple units including two 11-car and three seven-car trainsets. Operators can easily reconfigure interiors and seat pitches throughout the train's lifecycle. 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.

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 that can vary from 5 to 30 years. 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 600,000 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 100 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 1,800 trains, and it remotely manages over 700 trains throughout the world. 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 1,250 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 80 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™ and RailEdge™ 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.

RailEdge™ 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, RailEdge™ can add other functions for specific safety, operational, or maintenance needs such as track authorities and asset management. RailEdge™ improves the procedure of the traffic management for a better availability of trains. It integrates network wide scheduling and planning tools for optimised operations. RailEdge™ detects potential traffic conflicts as soon as they arise and offers operators resolution options, minimising delays. Thanks to its state-of-the-art technology, RailEdge™ enables a reduction of operating costs.

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.

Recently, Alstom announced the acquisition of 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).

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 now enter in a commercial service phase. This new electric bus can also be recharged by Alstom SRS™ solution.

Development of the Coradia™ range

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 kph to 200 kph and comfort levels ranging from Regional to Intercity. Based on a concept of modularity and standardization 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 or gas 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. Alstom has signed several letters of intent for the use of this new generation of emission-free train in Germany. Development phase of the two first prototypes is now finished and tests on tracks are on-going.

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 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.

Integrated metro solution: Axonis™

This solution is focused on developing a network of metropolitan trains that integrates civil engineering work as well as the design of electromechanical systems. It is designed to meet the requirements of cities already facing traffic congestion by offering them a competitive solution relative to existing offers. The goal is to devise an optimised solution for the deployment of an integrated system that includes a viaduct with a capacity of 10,000 to 45,000 pphpd (passengers per hour and per direction).

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 continues investing to improve ERTMS-type mainline exploitation, especially for urban approach. Thanks to a specific R&D programme, the new solution ERTMS Atlas™ 500 is enriched by new functionalities such as automatic driving which are classically developed for urban applications. Thanks to these new ATO (Automatic Train Operation) functionalities, Alstom can increase line capacity and significantly reduce the energy consumption of the whole fleets equipped with its solution.

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 energétique* (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;
- 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 2016, more than 440 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 2016 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. The next contest will be organised in 2017.

2

MANAGEMENT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS – FISCAL YEAR 2016/17

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MAIN EVENTS OF FISCAL YEAR 2016/17

STRONG COMMERCIAL AND OPERATIONAL PERFORMANCE, GROWING ADJUSTED EBIT MARGIN AND POSITIVE FREE CASH FLOW

The following table sets out the Group's key performance indicators for the year 2016/17.

	Year ended		% Variation March 2017/ March 2016	
(in € million)	**31 March 2017**	**31 March 2016**	**Actual**	**Organic**
Orders Received	10,008	10,636	(6%)	(6%)
Orders Backlog	34,781	30,363	15%	9%
Sales	7,306	6,881	6%	5%
aEBIT	421	366	15%	
aEBIT %	*5.8%*	*5.3%*		
EBIT	358	(226)		
Net Profit - Group share	289	3,001		
Free Cash Flow	182	(2,614)		
Capital Employed	4,278	3,901		
Net Cash/(Debt)	(208)	(203)		
Equity	3,713	3,328		

ORGANIC GROWTH

Above mentioned figures are adjusted 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 2017			Year ended 31 March 2016				March 2017/ March 2016	
(in € million)	**Actual figures**	**Scope Impact**	**Comparable Figures**	**Actual figures**	**Exchange rate**	**Scope impact**	**Comparable Figures**	**% Var. Act.**	**% Var. Org.**
Orders backlog	34,781	(349)	34,432	30,363	1,161	-	31,524	15%	9%
Orders Received	10,008	(110)	9,898	10,636	(160)	-	10,476	(6%)	(6%)
Sales	7,306	(176)	7,130	6,881	(101)	-	6,780	6%	5%

The actual figures for fiscal year 2015/16 (orders backlog, orders received and sales) are restated taking into account the exchange rates of 2016/17. Orders received last year were notably impacted by the depreciation of the Indian Rupee (INR), the Kazakhstani Tenge (KZT) and the British Pound (GBP) against the Euro. Sales recorded were impacted by an adverse foreign exchange translation impact compared to last year notably due to the depreciation of the Mexican Peso (MXN) and the British Pound (GBP) against the Euro (the British vote in favour of leaving European Union does not have significant economic consequences on the Group). However, orders backlog was positively impacted by the appreciation of the South African Rand (ZAR) and the US Dollar (USD) against the Euro.

In order to reflect the same scope of activity, actual figures for fiscal year 2016/17 are adjusted from acquisitions made during fiscal year 2016/17 or during fiscal year 2015/16. This notably includes the acquisition of GE Signalling and the purchase of an additional 50% stake in Signalling Solutions Ltd (SSL).

ACQUISITIONS AND PARTNERSHIPS

In the frame of its 2020 Strategy, Alstom reinforced its local network with several acquisitions and partnerships during the fiscal year 2016/17.

In South Africa, the Group completed the acquisition of CTLE shares (Commuter Transport & Locomotive Engineering), reinforcing its local presence and expanding its activities to better respond to the country's railway transport needs.

In Morocco, Alstom became the exclusive owner of Cabliance by acquiring Nexans' stake. With 250 employees and a turnover of €14 million in 2015, the company operates the cable bundles production segment for rail applications and electrical switchboxes.

In the United Kingdom, Alstom acquired Nomad Digital, a company specialized in passenger and fleet connectivity solutions. Nomad Digital's solutions include passenger WiFi, innovative Passenger Information Systems and on-board passenger portals, entertainment and media platforms. The company employed 230 people and generated a turnover of more than GBP 30 million. This acquisition will give an edge to Alstom strategy to offer more tailor-made solutions to customers.

In France, Alstom acquired a minority stake in EasyMile, an innovative start-up company developing the EZ10 electric driverless shuttle. Alstom and EasyMile have signed a commercial partnership agreement aiming at providing integrated solutions for urban transportation. This investment will help Alstom expand its knowledge into driverless technologies and pursue its development in the growing field of smart mobility.

The Group also invested in a new increase in capital in SpeedInnov, the joint venture created between Alstom and ADEME to work on the "very high-speed train of the future" project in collaboration with SNCF.

OBJECTIVES FOR 2020 CONFIRMED

By 2020, sales should grow organically by 5% per year.

Adjusted EBIT margin should reach around 7% by 2020 driven by volume, portfolio mix and results of operational excellence actions.

By 2020, Alstom expects c. 100% conversion from net income into free cash flow.

COMMERCIAL PERFORMANCE

During fiscal year 2016/17, Alstom recorded a strong commercial performance with €10.0 billion orders received corresponding to a book-to-bill of 1.4. This performance was driven by two major contracts signed by the Group in the USA with Amtrak for the supply of new high-speed trains and associated maintenance for €1.8 billion and a contract signed in the United Arab Emirates with the Roads & Transport Authority (RTA) in anticipation of the 2020 World EXPO in Dubai. Fiscal year 2015/16 largely benefited from a major contract signed in India for electric locomotives and associated maintenance for €3.2 billion.

Geographic breakdown					% Variation March 2017/March 2016	
Actual figures *(in € million)*	**Year ended 31 March 2017**	**% of contribution**	**Year ended 31 March 2016**	**% of contribution**	**Actual**	**Organic**
Europe	5,102	51%	4,154	39%	23%	24%
Americas	2,890	29%	1,265	12%	128%	119%
Asia/Pacific	582	6%	4,135	39%	(86%)	(86%)
Middle East/Africa	1,434	14%	1,082	10%	33%	40%
ORDERS BY DESTINATION	**10,008**	**100%**	**10,636**	**100%**	**(6%)**	**(6%)**

Product breakdown					% Variation March 2017/March 2016	
Actual figures *(in € million)*	**Year ended 31 March 2017**	**% of contribution**	**Year ended 31 March 2016**	**% of contribution**	**Actual**	**Organic**
Rolling stock	5,525	55%	6,487	61%	(15%)	(14%)
Services	2,037	20%	1,769	17%	15%	21%
Systems	1,466	15%	975	9%	50%	53%
Signalling	980	10%	1,404	13%	(30%)	(37%)
Other	0	0%	1	0%	N/A	N/A
ORDERS BY DESTINATION	**10,008**	**100%**	**10,636**	**100%**	**(6%)**	**(6%)**

During fiscal year 2016/17, orders received in Europe amounted to €5.1 billion, up by 24% compared to last fiscal year on an organic basis. This growth was notably driven by two large contracts signed in the Netherlands for the supply of intercity new generation trains and in France to provide suburban trains for the Île-de-France network. Also in France, Alstom received several additional orders for the supply of Euroduplex™ very high speed trains for the Paris-Bordeaux service, Coradia™ Polyvalent regional trains for the French regions as well as additional MP14 trains for the Paris metro network. In Italy, the Group will supply four additional Pendolino™ high-speed trains and associated maintenance, as well as new medium-capacity regional trains. Finally in Germany, Alstom recorded two contracts for the purchase of a total of 77 Coradia™ Continental regional trains.

In Americas, Alstom order intake amounted to €2.9 billion compared to €1.3 billion last year. This growth was boosted by a jumbo contract signed with Amtrak in the USA for the supply of new generation high-speed trains and associated maintenance contract for 15 years. In addition, the Group signed a contract in Peru for the supply of Metropolis™ cars and reconfiguration of several car trains of the line 1 of Lima metro. Finally, Alstom also signed two major maintenance contracts for Citadis™ vehicles in Canada and metro trains in Chile.

In Asia/Pacific, Alstom recorded €0.6 billion of orders during the fiscal year 2016/17, compared to €4.1 billion during the same period last year. The record performance last year was mainly due to a large contract signed in India for electric locomotives. During fiscal year 2016/17, the Group received an order in Australia for the supply of five additional X'Trapolis™ trainsets to further enhance Melbourne's suburban rail network. Also, Alstom was awarded its first tramway contract in Taiwan for the city of Kaohsiung.

During the fiscal year 2016/17, Middle East/Africa recorded €1.4 billion of orders, up 40% compared to last fiscal year on an organic basis. This performance was driven by a major contract awarded in the United Arab Emirates to design and build the extension of Dubai's red metro line and to upgrade the systems of an existing line. Alstom will notably supply an integrated metro system including 50 Metropolis™ trainsets with a three-year warranty.

Alstom received the following major orders during fiscal year 2016/17:

Country	Product	Description
Australia	Rolling stock	Supply of five additional X'Trapolis™ trainsets for Melbourne's suburban rail network
Canada	Services	Supply of 30-year maintenance of Citadis™ vehicles for Ottawa
Chile	Services	23-year maintenance contract for Santiago metro
Egypt	Signalling/ Systems	Supply of signalling, telecommunication system and infrastructure for the Cairo metro line 3
France	Rolling stock	Supply of 71 new generation trains for the RER suburban network in Île-de-France
France	Rolling stock	Additional order for supply of 15 Euroduplex™ Oceane trains for the Paris-Bordeaux service
France	Rolling stock	Supply of 30 Coradia™ Polyvalent for several routes of French regions
France	Rolling stock	Supply of 20 MP14 trains for the line 14 of Paris metro to extend and increase the line capacity
France	Rolling stock	Supply of 30 new generation metros to Greater Lyon to increase transport capacity of lines A, B and D of Lyon Metro
Germany	Rolling stock	Supply of 24 Coradia™ Continental trains for the German Breisgau S-Bahn network
Germany	Rolling stock	Supply of 53 Coradia™ Continental trains for the suburban network of Bavaria, North Rhine-Westphalia and Rhineland-Palatinate regions
Italy	Rolling stock	Supply of 47 new medium capacity regional trains for Italian regions
Italy	Rolling stock/Services	Supply of four additional Pendolino™ high-speed trains and associated maintenance services
Netherlands	Rolling stock	Supply of 79 intercity new generation trains for the Amsterdam-Rotterdam-Breda line and the Den Haag-Eindhoven corridor
Peru	Rolling stock	Supply of 120 Metropolis™ cars and 19 new additional cars to the existing trainsets for Lima Metro L1
United Arab Emirates	Systems	Supply of 50 Metropolis™ trainsets and 15 km extension of the Dubai Metro Red line and upgrade of an existing line for Dubai Metro Route 2020
USA	Rolling stock/Services	Supply of 28 high-speed trainsets for the Northeast Corridor route and associated maintenance contract for 15 years

ORDERS BACKLOG

On 31 March 2017, the Group backlog reached a record high at €34.8 billion (a €4.4 billion increase compared to last year) providing strong visibility on future sales.

Geographic breakdown

Actual figures *(in € million)*	Year ended 31 March 2017	% of contribution	Year ended 31 March 2016	% of contribution
Europe	15,008	43%	13,840	46%
Americas	5,686	16%	3,624	12%
Asia/Pacific	5,569	16%	5,271	17%
Middle East/Africa	8,518	25%	7,628	25%
BACKLOG BY DESTINATION	**34,781**	**100%**	**30,363**	**100%**

Product breakdown

Actual figures *(in € million)*	Year ended 31 March 2017	% of contribution	Year ended 31 March 2016	% of contribution
Rolling stock	16,915	49%	13,437	44%
Services	10,179	29%	9,409	31%
Systems	4,386	13%	3,985	14%
Signalling	3,301	9%	3,453	11%
Other	0	0%	79	0%
BACKLOG BY DESTINATION	**34,781**	**100%**	**30,363**	**100%**

INCOME STATEMENT

SALES

During fiscal year 2016/17, Alstom sales amounted to €7.3 billion compared to €6.9 billion last year, up 5% on an organic basis.

Geographic breakdown

					% Variation March 2017/March 2016	
Actual figures *(in € million)*	Year ended 31 March 2017	% of contribution	Year ended 31 March 2016	% of contribution	Actual	Organic
Europe	4,104	56%	4,098	60%	0%	2%
Americas	1,247	17%	1,055	15%	18%	6%
Asia/Pacific	702	10%	673	10%	4%	5%
Middle East/Africa	1,253	17%	1,055	15%	19%	18%
SALES BY DESTINATION	**7,306**	**100%**	**6,881**	**100%**	**6%**	**5%**

Product breakdown

	Year ended				% Variation March 2017/March 2016	
Actual figures *(in € million)*	31 March 2017	% of contribution	31 March 2016	% of contribution	Actual	Organic
Rolling stock	3,170	43%	3,146	46%	1%	0%
Services	1,468	20%	1,544	22%	(5%)	(1%)
Systems	1,286	18%	1,015	15%	27%	29%
Signalling	1,382	19%	1,162	17%	19%	7%
Other	0	0%	14	0%	N/A	N/A
SALES BY DESTINATION	**7,306**	**100%**	**6,881**	**100%**	**6%**	**5%**

In Europe, Alstom's sales reached €4.1 billion, up 2% on an organic basis compared to last fiscal year. Sales of the region contributed to 56% of the Group's total sales, thanks to the deliveries of Coradia™ trains in France, Sweden and Italy, as well as execution of large rolling stock contracts for the supply of suburban, high speed and very high-speed trains in France and Switzerland. During the period, the Systems activity recorded strong growth mainly from the Crossrail infrastructure track in the United Kingdom.

In Americas, Alstom recorded €1.2 billion sales representing a 6% organic increase compared to last year. The region accounted for 17% of the total Group's sales, mainly thanks to the delivery of a tramway system in Brazil for the Olympic Games and the supply of a metro system in Mexico. The growth of the region mainly came from Signalling, notably thanks to the execution of the GO Transit Union Station re-signalling contract in Canada. The actual growth reflected the contribution of signalling activities acquired from General Electric of twelve months sales this year *versus* five months last fiscal year.

Asia/Pacific sales amounted to €0.7 billion for the year 2016/17, up 5% on an organic basis mainly driven by the delivery of suburban trains to Melbourne, Australia. The region benefited from the growth of the Systems activity notably through contracts to provide a tramway system in Australia, and the replacement of track circuits in Hong Kong metro. As for Signalling, Alstom started to execute the Taiwan Taichung green line project and the Indian Lucknow metro contract.

In Middle East/Africa, Alstom recorded €1.3 billion sales during the year 2016/17, up 18% on an organic basis *versus* last year. The region continued to benefit from the execution of PRASA contract for fleet renewal in South Africa as well as revenue coming along with the first metro trains delivered to Riyadh in Saudi Arabia. In addition, sales were also boosted by tramway deliveries in Algeria as well as the execution of the Lusail tramway system contract in Qatar.

OPERATIONAL PERFORMANCE

Alstom drives its performance through volume growth, product mix and operational excellence. This year, performance mainly resulted from steady revenue growth and quality of execution in a controlled cost structure both regarding research and development, as well as the selling and administrative expenses. This operational performance, followed through adjusted EBIT, is aligned with previously communicated objectives.

The Group increased research and development gross costs to €248 million during fiscal year 2016/17 with the intent to maintain & enhance its technology competitive edge. The amount of research and development expenses as recorded in the P&L statement for the period was €175 million *i.e.* 2.4% of sales.

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
R&D Gross costs (*)	**(248)**	**(226)**
R&D Gross costs (in % of Sales)	*3.4%*	*3.3%*
Funding received	**51**	**41**
Net R&D spending	**(197)**	**(185)**
Development costs capitalised during the period	70	73
Amortisation expense of capitalised development costs	(48)	(53)
R&D EXPENSES (IN P&L) (*)	**(175)**	**(165)**
R&D expenses (in % of Sales)	*2.4%*	*2.4%*

(*) Includes the reclassification of Signalling business sustaining costs from Cost of Sales to Research and Development for €(29) million as of 31 March 2016 and €(36) million as of 31 March 2017.

Innovation is a source of competitiveness and differentiation for Alstom. Supporting this strategy, the Group has continued to develop its main R&D programs notably:

- The new generation of Coradia™ regional trains. Two major contracts including this new range of single deck EMUs were signed to equip the Italian and the Netherlands national networks.
- The zero-emission train Coradia iLint™, unveiled on September 2016 at InnoTrans. This regional train is powered by a hydrogen fuel cell, its only emission being steam and condensed water while operating with a low level of noise. In March 2017, it was successfully tested for the first time on Alstom's own test track in Salzgitter (Germany) at a speed of 80 km/h, achieving a significant milestone in environmental protection and technical innovation.
- The evolution of the Avelia™ range and notably the very high-speed train of the future project. This new generation high-speed trainset will offer real breakthrough in terms of competitiveness by reducing costs and improving passenger experience. The focus is to lower whole-life costs improve performance and reduce energy consumption and thereby promoting sustainable mobility.
- The next generation of traction power electronics based on silicon carbide components developed notably thanks to the European

funding of Shift²Rail. This investment will focus on the core electronic components and its adaptation to regional trains.

- APTIS™, a new 100% electric mobility solution jointly developed with its subsidiary NTL.
- New digital technologies notably concerning urban and mainline signalling solutions.

During the fiscal year 2016/17, selling expenses decreased compared to last fiscal year both in volume (-2%) and as a percentage of sales (from 2.8% to 2.6%) and this was achieved in a context of additional scope absorption.

Administrative expenses increased by €7 million as compared to last fiscal but decreased as of percentage of sales (from 5.0% to 4.8%). This increase in value is mainly due to the acquisition of GE signalling, the associated additional expense being itself reduced by the synergies created between the historical structure and the acquired business.

During the fiscal year 2016/17, the adjusted EBIT reached €421 million, compared to €366 million during the fiscal year 2015/16. Adjusted EBIT margin reached 5.8% *versus* 5.3% during last fiscal year. This increase in profitability was driven by volume growth, operational excellence and enabled by a stable cost structure sustained by competitiveness initiatives.

NET PROFIT

During the fiscal year 2016/17, EBIT amounted to €358 million, compared to €(226) million in fiscal year 2015/16. The Group EBIT was mainly impacted by €(35) million amortisation of intangible assets and integration costs related to business combinations, notably after GE Signalling and SSL acquisition. Last fiscal year, Alstom EBIT was mainly impacted by non-recurring asset impairments for €(398) million and restructuring costs incurred during the year.

Net financial expense decreased at €(127) million during the fiscal year 2016/17 as compared to €(275) million for the same period last year. This decrease in financial expenses is due to a reduction in the average gross financial debt in particular due to bond being repurchased or having matured in the previous and current years. Also, one off banking fees related to the GE deal facilities and commitment fees on undrawn facilities have reduced compared to previous exercise.

The Group recorded an income tax charge of €(76) million for the fiscal year 2016/17 *versus* €(597) million for the same period last year which was notably impacted by the de-recognition of several deferred tax assets. At 31 March 2017, the effective tax rate was 33%.

The share of net income from equity investments amounted to €82 million mainly from the re-measurement of the put option in the Energy alliances protecting the Group against adverse alliances' results during the period (as disclosed in Note 13 to the consolidated financial statements).

During the fiscal year 2016/17, Net profit (Group share) stood at €289 million for the fiscal year 2016/17, compared to €3,001 million during the same period last fiscal year and included:

- Net profit from discontinued operations (Group share) for €66 million notably including the capital gain (net of tax and other costs) related to staggered and delayed assets.
- Net profit from continuing operations (Group share) for €223 million.

As a reminder, last year Net profit mainly benefited from the capital gain on the Energy business sale to GE.

FREE CASH FLOW

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Adjusted EBIT	**421**	**366**
Depreciation and amortisation	132	138
Restructuring cash-out	(49)	(61)
Capital expenditure	(150)	(154)
R&D capitalisation	(70)	(73)
Change in working capital	80	(892)
Financial cash-out	(115)	(291)
Tax cash-out	(87)	(211)
Other (*)	20	(1,436)
FREE CASH FLOW	**182**	**(2,614)**

(*) Includes free cash flow from discontinued operations.

Comparability to last year's result is limited as a result of the transaction between GE and Alstom in November 2015. This year, the Group free cash flow was positive at €182 million compared to €(2,614) million during the last fiscal year which included the operating cash flows used by discontinued operations for €(1,568) million. Current period free cash flow showed a significant improvement compared to last year notably thanks to operational excellence and careful bid selection in the recently signed orders. Net cash generated by operations benefited from a combination of large down-payments received from new orders and first impacts of the Cash Focus programme.

During the period, Alstom invested €150 million in capital expenditures of tangible assets in order to modernize its existing facilities and strengthen its global footprint.

The Group has adapted its organisation to strengthen its international coverage and better respond to the local needs of its customers around the world. Recent major commercial successes have called for a modernization of existing sites and for the construction of new manufacturing sites, notably in India and in South Africa. These trigger an additional €300 million capex over three years. Up to the fiscal year 2016/17, this transformation capex accounted for €51 million, of which €47 million were spent this year.

In parallel to these strategic actions; the Alstom group has continued investing in the maintenance, the safety and the efficiency of existing plants and tools for a total spend of €103 million in fiscal year 2016/17.

NET **DEBT**

On 31 March 2017, the Group recorded a net debt level of €208 million, compared to the net debt position of €203 million on 31 March 2016. Alstom's net debt remained stable as cash generated by operations was offset by acquisitions that occurred during the period. These acquisitions notably included the capital increase in the SpeedInnov joint-venture for €32 million in the frame of the "very high-speed train of the future" project, the acquisition of Nomad Digital in the United Kingdom as well as the purchase of shares in the EasyMile company, a French innovative start-up developing the EZ10 electric driverless shuttle.

During the period, Alstom also reimbursed €453 million worth of bonds contributing to reduce gross financial debt by 19%.

In addition to its available cash and cash equivalents, amounting to €1,563 million as of 31 March 2017, the Group can access a €400 million revolving credit facility, maturing in June 2022, with a possible one-year extension, which is fully undrawn at March 2017.

EQUITY

The increase in Equity on 31 March 2017 to €3,713 million (including non-controlling interests) from €3,328 million on 31 March 2016 was mostly impacted by:

- net profit from the fiscal year 2016/17 of €289 million (Group share);
- actuarial hypothesis variation on pensions (recorded in equity) of €(32) million net of tax;
- currency translation adjustment of €107 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 rationalization 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 realize 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 corresponds to Adjusted EBIT in percentage of sales.

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

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Adjusted Earnings Before Interest and Taxes (*aEBIT*)	**421**	**366**
aEBIT (in % of sales)	*5.8%*	*5.3%*
Restructuring costs	(6)	(138)
Assets impairment	(6)	(398)
PPA amortisation and Integration costs	(35)	(43)
Capital gains/losses on disposal of business	2	38
Others	(18)	(51)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**358**	**(226)**

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:

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Net cash provided by/(used in) operating activities	**401**	**(2,158)**
Of which operating flows provided/(used) by discontinued operations	*(7)*	*(1,568)*
Capital expenditure (including capitalised R&D costs)	(220)	(514)
Proceeds from disposals of tangible and intangible assets	1	58
FREE CASH FLOW	**182**	**(2,614)**

Alstom uses the free cash flow both 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 2016/17, the Group's free cash flow was positive at €182 million compared to €(2,614) 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 2017, capital employed stood at €4,278 million, compared to €3,901 million at the end of March 2016.

This increase was notably due to positive working capital position at the end of the year driven by large down-payments received during the period, the increase of associates as well as the goodwill entries mainly coming from newly acquired businesses.

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Non current assets (*)	5,972	5,677
less deferred tax assets	(189)	(242)
less non-current assets directly associated to financial debt	(260)	(318)
less prepaid pension benefits	-	(1)
Capital employed - non current assets (A)	**5,523**	**5,116**
Current assets	8,379	7,904
less cash & cash equivalents	(1,563)	(1,961)
less other current financial assets	(8)	(22)
Capital employed - current assets (B)	**6,808**	**5,921**
Current liabilities	7,883	7,167
less current financial debt	(444)	(686)
plus non current provisions	614	655
Capital employed - liabilities (C)	**8,053**	**7,136**
CAPITAL EMPLOYED (A)+(B)-(C)	**4,278**	**3,901**

(*) Include Energy alliances and put options.

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.

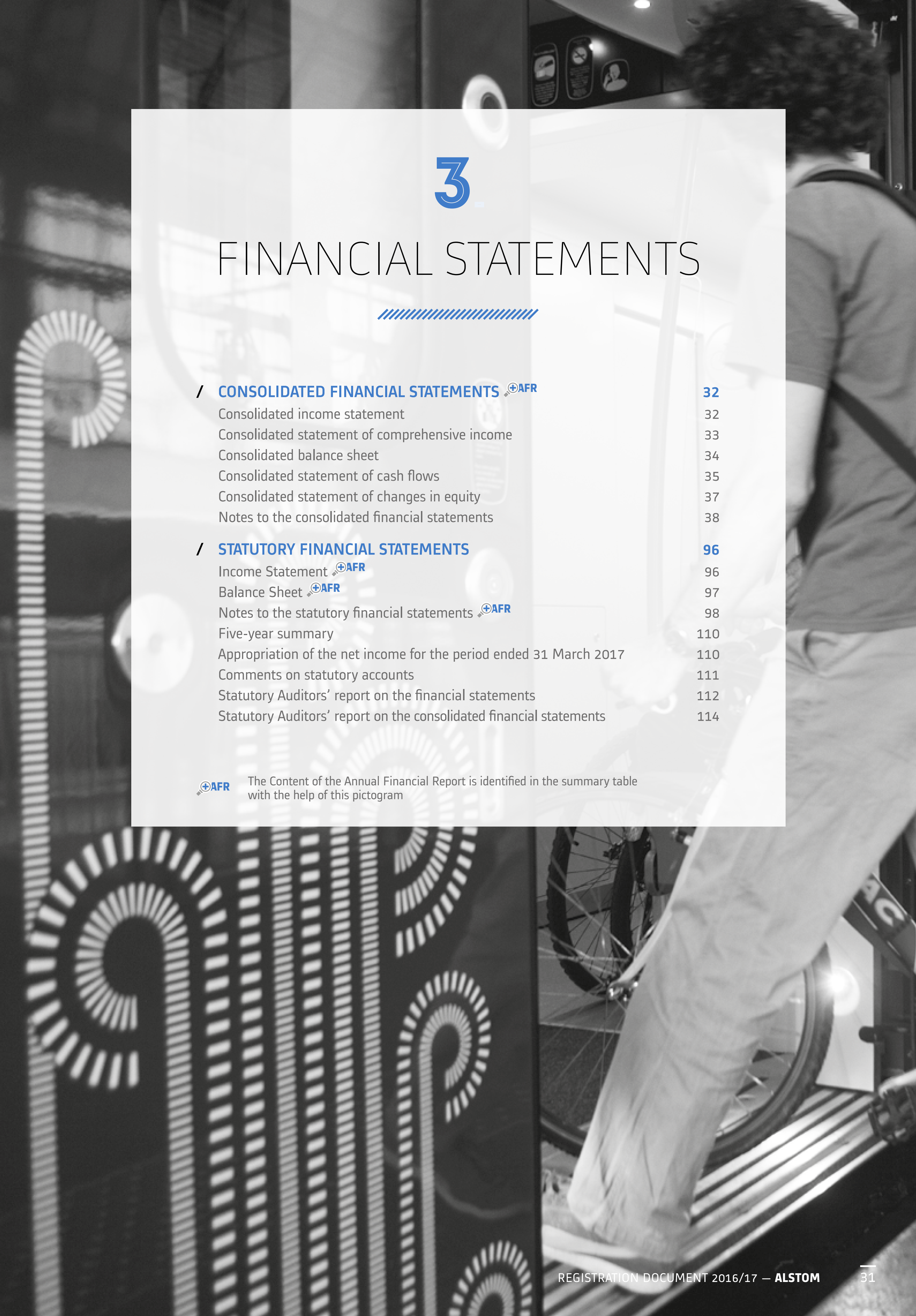
On 31 March 2017, the Group recorded a net debt level of €208 million, compared to the net debt position of €203 million on 31 March 2016.

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Cash and cash equivalents	1,563	1,961
Other current financial assets	8	22
Financial non-current assets directly associated to financial debt	260	318
less:		
Current financial debt	444	686
Non current financial debt	1,595	1,818
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(208)**	**(203)**

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.



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FINANCIAL STATEMENTS

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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 2017

CONSOLIDATED INCOME STATEMENT

(in € million)	Note	Year ended 31 March 2017	Year ended 31 March 2016
Sales	**(3)**	**7,306**	**6,881**
Cost of sales (*)		(6,171)	(5,814)
Research and development expenses (*)	(4)	(175)	(165)
Selling expenses	(5)	(187)	(191)
Administrative expenses	(5)	(352)	(345)
Other income/(expenses)	(6)	(63)	(592)
Earnings before interest and taxes		**358**	**(226)**
Financial income	(7)	11	73
Financial expenses	(7)	(138)	(348)
Pre-tax income		**231**	**(501)**
Income tax charge	(8)	(76)	(597)
Share of net income of equity-accounted investments	(13)	82	30
Net profit from continuing operations		**237**	**(1,068)**
Net profit from discontinued operations	(9)	66	4,079
NET PROFIT		**303**	**3,011**
Net profit attributable to equity holders of the parent		289	3,001
Net profit attributable to non controlling interests		14	10
Net profit from continuing operations attributable to:			
• Equity holders of the parent		223	(1,083)
• Non controlling interests		14	15
Net profit from discontinued operations attributable to:			
• Equity holders of the parent		66	4,084
• Non controlling interests		-	(5)
EARNINGS PER SHARE *(in €)*			
• Basic earnings per share	(10)	1.32	10.17
• Diluted earnings per share	(10)	1.30	10.09

(*) Includes the reclassification of sustaining costs from Cost of Sales to Research and Development for €(29) million as of 31 March 2016 (Note 2 & 4).

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 2017	Year ended 31 March 2016
Net profit recognised in income statement		**303**	**3,011**
Remeasurement of post-employment benefits obligations	(29)	(44)	(240)
Currency translation relating to items that will not be reclassified to profit or loss	(29)	8	-
Income tax relating to items that will not be reclassified to profit or loss	(8)	4	32
Items that will not be reclassified to profit or loss		**(32)**	**(208)**
of which from equity-accounted investments	*(13)*	*-*	*-*
Fair value adjustments on available-for-sale assets		-	-
Fair value adjustments on cash flow hedge derivatives	(13)	(3)	14
Currency translation adjustments	(23)	107	(262)
Income tax relating to items that may be reclassified to profit or loss	(8)	-	(2)
Items that may be reclassified to profit or loss		**104**	**(250)**
of which from equity-accounted investments	*(13)*	*58*	*(37)*
Other comprehensive income		**72**	**(458)**
of which attributable to discontinued operations		*(1)*	*(307)*
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**375**	**2,553**
Attributable to:			
• Equity holders of the parent		359	2,554
• Non controlling interests		16	(1)
Total comprehensive income attributable to equity shareholders arises from:			
• Continuing operations		294	(1,227)
• Discontinued operations		65	3,781
Total comprehensive income attributable to minority equity arises from:			
• Continuing operations		16	8
• Discontinued operations		-	(9)

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

CONSOLIDATED **BALANCE SHEET**

Assets

(in € million)	Note	At 31 March 2017	At 31 March 2016
Goodwill	(11)	1,513	1,366
Intangible assets	(11)	395	387
Property, plant and equipment	(12)	749	655
Investments in joint-ventures and associates	(13)	2,755	2,588
Non consolidated investments	(14)	55	38
Other non-current assets	(15)	316	401
Deferred taxes	(8)	189	242
Total non-current assets		**5,972**	**5,677**
Inventories	(17)	916	834
Construction contracts in progress, assets	(18)	2,834	2,356
Trade receivables	(19)	1,693	1,613
Other current operating assets	(20)	1,365	1,118
Other current financial assets	(25)	8	22
Cash and cash equivalents	(26)	1,563	1,961
Total current assets		**8,379**	**7,904**
Assets held for sale	(9)	10	41
TOTAL ASSETS		**14,361**	**13,622**

Equity and Liabilities

(in € million)	Note	At 31 March 2017	At 31 March 2016
Equity attributable to the equity holders of the parent	(23)	3,661	3,279
Non controlling interests		52	49
Total equity		**3,713**	**3,328**
Non-current provisions	(22)	614	655
Accrued pension and other employee benefits	(29)	526	487
Non-current borrowings	(27)	1,362	1,538
Non-current obligations under finance leases	(27)	233	280
Deferred taxes	(8)	23	52
Total non-current liabilities		**2,758**	**3,012**
Current provisions	(22)	250	208
Current borrowings	(27)	416	639
Current obligations under finance leases	(27)	28	47
Construction contracts in progress, liabilities	(18)	4,486	3,659
Trade payables		1,029	1,133
Other current operating liabilities	(21)	1,674	1,481
Total current liabilities		**7,883**	**7,167**
Liabilities related to assets held for sale	(9)	7	115
TOTAL EQUITY AND LIABILITIES		**14,361**	**13,622**

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

		Year ended	
(in € million)	Note	31 March 2017	31 March 2016
Net profit		**303**	**3,011**
Depreciation, amortisation and impairment	(11)/(12)	157	470
Expense arising from share-based payments	(31)	10	8
Cost of net financial debt and costs of foreign exchange hedging, net of interest paid and received (a), and other change in provisions		1	183
Post-employment and other long-term defined employee benefits	(29)	2	(3)
Net (gains)/losses on disposal of assets		(77)	(4,372)
Share of net income (loss) of equity-accounted investments (net of dividends received)	(13)	(75)	(5)
Deferred taxes charged to income statement	(8)	(24)	350
Net cash provided by operating activities – before changes in working capital		**297**	**(358)**
Changes in working capital resulting from operating activities (b)	**(16)**	**104**	**(1,800)**
Net cash provided by/(used in) operating activities		**401**	**(2,158)**
Of which operating flows provided/(used) by discontinued operations	*(9)*	*(7)*	*(1,568)*
Proceeds from disposals of tangible and intangible assets		1	58
Capital expenditure (including capitalised R&D costs)		(220)	(514)
Increase/(decrease) in other non-current assets	(15)	43	23
Acquisitions of businesses, net of cash acquired	(1)	(78)	(1,994)
Disposals of businesses, net of cash sold	(9)	(93)	10,854
Net cash provided by/(used in) investing activities		**(347)**	**8,427**
Of which investing flows provided/(used) by discontinued operations	*(9)*	*(68)*	*(932)*
Capital increase/(decrease) including non controlling interests		12	(3,208)
Dividends paid including payments to non controlling interests		(11)	(12)
Issuances of bonds & notes	(27)	-	-
Repayments of bonds & notes issued	(27)	(453)	(1,875)
Changes in current and non-current borrowings	(27)	33	(688)
Changes in obligations under finance leases	(27)	(45)	(46)
Changes in marketable securities and other current financial assets and liabilities		(10)	3
Net cash provided by/(used in) financing activities		**(474)**	**(5,826)**
Of which financing flows provided/(used) by discontinued operations	*(9)*	*3*	*1,949*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(420)**	**443**
Cash and cash equivalents at the beginning of the period		1,961	1,599
Net effect of exchange rate variations		17	(87)
Other changes		4	(3)
Transfer to assets held for sale	(9)	1	9
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(26)**	**1,563**	**1,961**
(b) Income tax paid		*(87)*	*(211)*
(a) Net of interests paid & received		*(115)*	*(261)*

(in € million)	Year ended 31 March 2017	31 March 2016
Net cash/(debt) variation analysis (*)		
Changes in cash and cash equivalents	(420)	443
Changes in other current financial assets and liabilities	10	(3)
Changes in bonds and notes	453	1,875
Changes in current and non-current borrowings	(33)	688
Changes in obligations under finance leases	45	46
Transfer to assets held for sale	3	76
Net debt of acquired/disposed entities at acquisition/disposal date and other variations	(63)	(185)
Decrease/(increase) in net debt	(5)	2,940
Net cash/(debt) at the beginning of the period	**(203)**	**(3,143)**
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(208)**	**(203)**

(*) 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	Other comprehensive income (*)	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
At 31 March 2015	**309,792,497**	**2,169**	**879**	**3,257**	**(2,171)**	**4,134**	**90**	**4,224**
Movements in other comprehensive income	-	-	-	-	(447)	(447)	(10)	(457)
Net income for the period	-	-	-	3,001	-	3,001	10	3,011
Total comprehensive income	**-**	**-**	**-**	**3,001**	**(447)**	**2,554**	**-**	**2,554**
Change in controlling interests and others	-	-	-	(2,072)	1,871	(201)	(29)	(230)
Dividends paid	-	-	-	-	-	-	(11)	(11)
Share buy back	(91,500,000)	(641)	-	(2,578)	-	(3,219)	-	(3,219)
Issue of ordinary shares under long term incentive plans	407,167	3	-	-	-	3	-	3
Recognition of equity settled share-based payments	427,380	3	5	-	-	8	-	8
At 31 March 2016	**219,127,044**	**1,534**	**884**	**1,608**	**(747)**	**3,279**	**49**	**3,328**
Movements in other comprehensive income	-	-	-	-	70	70	2	72
Net income for the period	-	-	-	289	-	289	14	303
Total comprehensive income	**-**	**-**	**-**	**289**	**70**	**359**	**16**	**375**
Change in controlling interests and others	-	-	-	1	4	5	(2)	3
Dividends paid	-	-	-	-	-	-	(11)	(11)
Issue of ordinary shares under long term incentive plans	214,918	2	-	-	-	2	-	2
Recognition of equity settled share-based payments & others	369,868	2	6	8	-	16	-	16
AT 31 MARCH 2017	**219,711,830**	**1,538**	**890**	**1,906**	**(673)**	**3,661**	**52**	**3,713**

(*) At 31 March 2017, other comprehensive income include notably €(334) million of currency translation adjustment, €(322) million of actuarial gains and losses, €1 million of cash-flow hedge

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 3 May 2017. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 4 July 2017.

A. MAJOR EVENTS AND CHANGES IN SCOPE OF CONSOLIDATION

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

1.1. Nomad Digital acquisition

In January 2017, Alstom completed the 100% acquisition of Nomad Digital, the world's leading provider of connectivity solutions to the railway industry. The group employs approximately 230 people and serves more than 80 major rail companies in over 40 countries with a turnover which represents more than €36 million.

As part of this transaction, the amount of the transferred compensation comes to €20 million, in addition to a debt repayment of approximately €14 million. The allocation of the price and the determination of the goodwill will be finalized within twelve months from the date of acquisition.

1.2. SpeedInnov

Through its affiliate SpeedInnov, a joint-venture created in 2015 with ADEME, Alstom focused on its "Very high-speed train of the future" project, aiming to promote a new generation of very high-speed trainset which will reduce acquisition and operating costs by at least 20%, optimise the environmental footprint and develop the commercial offer to improve passenger experience. In this context, Alstom invested into an increase in capital in this joint-venture for €32 million during October 2016 decreasing its stake from 69.0% to 65.1% with no change in consolidation method.

1.3. Alstom strategic move through GE transaction

Effective 2 November 2015, Alstom has completed the disposal of Energy activities to General Electric simultaneously to the investment by Alstom in three Joint alliances (Grid, Renewables and Global Nuclear & French Steam) and the acquisition of General Electric's Signalling.

1.3.1. Signalling Business acquisition

The acquisition of General Electric signalling business is part of the global General Electric transaction. In accordance with IFRS 3R, the fair value of the consideration transferred for the acquisition of the Signalling business has been estimated to €578 million.

In accordance with IFRS 3R, the Group has recognised the assets acquired and liabilities assumed, these being measured at fair value at the acquisition date.

Accordingly, at the end of the period of the twelve months from the acquisition date, the consideration price allocation and goodwill evaluation have been finalized as follows:

(in € million)	**2 November 2015**
Total non-current assets	157
Total current assets	(124)
Total assets	**33**
Total non-current liabilities	99
Total current liabilities	58
Total liabilities	**157**
FAIR VALUE OF ASSETS/ (LIABILITIES) ATTRIBUTABLE TO THE SHAREHOLDERS OF THE GROUP	**(124)**
Consideration price	**578**
Goodwill	**702**

The valuation of assets acquired and liabilities assumed at their fair value has resulted in the recognition of new intangible assets (technologies, order backlog margin (for products and projects) and customer relationships), the re-measurement of tangible assets, inventories and liabilities as well as deferred tax assets recognition.

The resulting goodwill amounts to €702 million and is mainly supported by the leadership position of General Electric's signalling business in both North America and the freight market and by expected synergies between General Electric and Alstom signalling Businesses. Indeed, GE Signalling's activities are complementary to those of Alstom. The acquisition by Alstom of the GE signalling business will strengthen Alstom's position in both North America and the freight market.

During the Fiscal Year 2016/17, GE Signalling contributed about 4% to sales and to EBIT.

1.3.2. Follow up of the disposal of Energy activities

By acquiring Alstom's Energy activities, General Electric undertook to take on all assets as well as all liabilities and risks exclusively or predominantly associated with the Energy Business (see Note 33). Cross-indemnification and asset reallocation ("wrong pocket") mechanisms, over 30 years, have been established.

During the Fiscal Year 2016/17, most of the outstanding authorizations (mainly in Russia and Brazil) have been received, and the transfer of these activities to General Electric was completed for a capital gain of €77 million during the year.

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 2017, 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 2017;
- using the same accounting policies and measurement methods as at 31 March 2016, with the exceptions of:
  - changes required by the enforcement of new standards and interpretations presented in the following paragraph 2.1.1,
  - changes of presentation adopted by Alstom to better reflect the Group's financial performance: reclassification of sustaining costs from Costs of sales to Research and Development for €(36) million as of 31 March 2017 and for €(29) million as of 31 March 2016, especially for signalling activities.

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

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

2.1.1. New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2016

Several amendments are applicable at 1 April 2016:

- Accounting for acquisitions of interest in joint operations (amendments to IFRS 11);
- Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38);
- Annual Improvements to IFRS 2012-2014 Cycle;
- Disclosure initiative (amendments to IAS 1).

All these amendments effective at 1 April 2016 for Alstom do not have any material impact on the Group's consolidated financial statements.

2.1.2. New standards and interpretations not yet mandatorily applicable

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

IFRS 15 Revenue from contracts with customers:

- 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 and IAS 18 on

Revenue for the sale of goods and services rendered, as well as other related interpretations. The new standard will become effective for Alstom for fiscal years beginning on 1 April 2018.

- Transition method elected

  Alstom has elected to apply the full retrospective method. Alstom will provide a consistent view of historical trend. Comparative consolidated financial information for year ended 31 March 2018 will be restated on a consistent basis with information for year ended 31 March 2019 accounted for under IFRS 15 standard.

- Impacts under current assessment

  Based on analyses performed so far, Alstom achieved several interpretative conclusions:

  - The new standard will not affect the cash position on the contracts and, as such, does not affect the economics of the underlying customer contracts.
  - The identification of performance obligations does not lead to significant changes *versus* current practice contract follow up.
  - Most of our 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 ascertain the 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 recognized on the basis of the entity's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Alstom is currently assessing the impacts of the above method changes on timing of revenue and margin recognition.
  - Changes to the balance sheet are expected: with respect to construction contracts and long-term service agreements, the current net aggregate amounts of costs incurred to date plus recognized margin less progress billings determined on a contract-by-contract basis included in "Construction contracts in progress, assets" or "Construction contracts in progress, liabilities" depending on whether positive or negative will be notably restated to new aggregates called "contract assets and contract liabilities".
  - Alstom is also assessing whether the new standard will result in significant impacts in respect of the estimation in the transaction price of certain variable consideration (such as price escalation for example).
  - So far, no significant financial component on orders has been identified as timing of cash receipts and revenue recognition under new method do not differ substantially.
  - Finally, quantitative and qualitative disclosures will be added mainly on orders and backlog.

The impact of IFRS 15 transition could lead to a reduction in retained earnings as of April 2017. Further updates will be provided during the course of the financial year 2017/18 as assessments are progressing.

- Financial instruments:
  - classification and measurement of financial assets (IFRS 9);
  - hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39;
  - mandatory effective and transition guidance (amendments to IFRS 9 and IFRS 7).

All these amendments will be effective at 1 April 2018 for Alstom and the potential impacts of these new pronouncements are currently being analysed.

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

- Leases (IFRS 16): the standard will be applicable for annual periods beginning after 1 January 2019;
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12): the amendment will be applicable for annual periods beginning after 1 January 2017;
- Disclosure Initiative (Amendments to IAS 7): the amendment will be applicable for annual periods beginning after 1 January 2017;
- Classification and measurement of transactions whose the payment is based on shares (amendments to IFRS 2); this amendment will be effective for annual periods beginning after 1 January 2018;
- Annual improvements to IFRS 2014-2016 Cycle: these amendments will be effective for annual periods beginning after 1 January 2017 or 2018;
- IFRIC 22 interpretation on foreign currency transactions and advance consideration: this interpretation will be applicable for annual periods beginning after 1 January 2018.

IFRS 16 potential impacts are currently being analysed. Other new standards are not expected to have significant impacts when endorsed.

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 standardized 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 recognized at the date of acquisition is recognized 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 recognized 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 recognized in reserves.

Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture are not recognized, 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. 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 recognized 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 recognized 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.

2.3.3. 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.

2.3.4. 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 recognized 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.

2.3.5. 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.

2.3.6. 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 amortized but tested for impairment at least annually or when there are indicators that they may be impaired. Other intangible and tangible assets subject to amortization 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 recognized in respect of other assets than goodwill may be reversed in a later period and recognized 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 recognized in prior years.

C. SEGMENT INFORMATION

NOTE 3 • SEGMENT INFORMATION

The Group organization, 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.

Further, the performance of the Energy joint ventures, accounted for under the equity method, can be followed separately.

3.1. Sales by product

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Rolling stock	3,170	3,146
Services	1,468	1,544
Systems	1,286	1,015
Signalling	1,382	1,162
Other	-	14
TOTAL GROUP	**7,306**	**6,881**

3.2. Key indicators by geographic area

Sales by country of destination

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Europe	4,104	4,098
of which France	*1,372*	*1,303*
Americas	1,247	1,055
Asia & Pacific	702	673
Middle-East & Africa	1,253	1,055
TOTAL GROUP	**7,306**	**6,881**

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)	At 31 March 2017	At 31 March 2016
Europe	1,275	1,137
of which France	*548*	*504*
Americas	170	168
Asia & Pacific	180	150
Middle East & Africa	60	58
Total excluding alliances and goodwill	**1,685**	**1,513**
Alliances and goodwill	**3,838**	**3,603**
TOTAL GROUP	**5,523**	**5,116**

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.

	Year ended	
(in € million)	31 March 2017	31 March 2016
Research and development gross cost (*)	(248)	(226)
Funding received	51	41
Research and development spending, net	**(197)**	**(185)**
Development costs capitalised during the period	70	73
Amortisation expense of capitalised development costs	(48)	(53)
RESEARCH AND DEVELOPMENT EXPENSES (IN P&L) (*)	**(175)**	**(165)**

(*) Includes the reclassification of Signalling business sustaining costs from Cost of Sales to Research and Development for €(29) million as of 31 March 2016 and €(36) million as of 31 March 2017.

During the year, Alstom mainly invested in development of several Research and Development programs, notably:

- the new generation of Coradia™ regional trains;
- the zero-emission train Coradia™ iLint, powered by a hydrogen fuel cell;
- the "Very high-speed train" Avelia™, through its joint venture SpeedInnov;
- the EU Shift2Rail program;
- and APTIS™, a new 100% electric mobility solution jointly developed with its joint venture NTL.

Moreover, the Group develops new digital technologies notably concerning urban and mainline signalling solutions.

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 recognized in charges as incurred.

Selling and administrative expenses are stable between 31 March 16 and 31 March 2017 despite the increase of order backlog and sales but thanks to the geographical reorganization of support functions.

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 realize 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 2017**	**31 March 2016**
Capital gains/(losses) on disposal of business	2	38
Restructuring and rationalisation costs	(6)	(138)
Impairment loss and other	(59)	(492)
OTHER INCOME/(EXPENSE)	**(63)**	**(592)**

As at 31 March 2017, impairment loss and other represent mainly:

- €(35) million including amortization of assets related to Purchase Price Allocation of SSL and GE Signalling business combination as well as integration & acquisition costs linked to GE Signalling;
- €(18) million including net costs and re-measurement associated with legal proceedings (arisen outside of the ordinary course of business) and pension plan curtailments;
- €(6) million of impairment of assets.

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).

	Year ended	
(in € million)	31 March 2017	31 March 2016
Interest income	10	11
Interest expense on borrowings	(87)	(225)
NET FINANCIAL INCOME/(EXPENSES) ON DEBT	**(77)**	**(214)**
Interest expense recharged to the discontinued operations	-	53
Net cost of foreign exchange hedging	(29)	(63)
Net financial expense from employee defined benefit plans	(12)	(10)
Other financial income/(expense)	(9)	(41)
NET FINANCIAL INCOME/(EXPENSES)	**(127)**	**(275)**

Net financial income/(expenses) on debt represent the cost of borrowings net of income from cash and cash equivalents. As at 31 March 2017, interest income totals €10 million, representing the remuneration of the Group's cash positions over the period, while interest expenses total €(87) million which correspond to cost of the external gross financial debt of the Group.

The net cost of foreign exchange hedging of €(29) million includes:

- for €(11) million: primarily the cost of carry (unrealized and realized forward points) of foreign exchange hedging implemented to hedge the intercompany loans, deposits and cash pooling positions;
- for €(18) million: primarily the cost of carry (unrealized and realized 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 €(12) 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 €(9) 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:

	Year ended	
	31 March 2017	31 March 2016
Current income tax charge	(100)	(67)
Deferred income tax charge	24	(530)
INCOME TAX CHARGE	**(76)**	**(597)**

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:

	Year ended	
(in € million)	31 March 2017	31 March 2016
Pre-tax income	**231**	**(501)**
Statutory income tax rate of the parent company	34.43%	34.43%
Expected tax charge	**(80)**	**172**
Impact of:		
• difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	32	19
• changes in unrecognised deferred tax assets	(6)	(702)
• changes in tax rates	(2)	(9)
• additional tax expenses (withholding tax, CVAE in France and IRAP in Italy)	(23)	(21)
• permanent differences and other	3	(56)
INCOME TAX CHARGE	**(76)**	**(597)**
Effective tax rate	**33%**	**-**

The Group has taken into account for the financial year 2016/17 the change in the current tax rate in France, which should occur as of 1 April 2020 for Alstom. The impact of the current tax rate change on the Group net profit is not significant, considering the limited amount of recognised deferred tax assets in France.

8.2. Deferred tax assets and liabilities

	Year ended	
(in € million)	31 March 2017	31 March 2016
Deferred tax assets	189	242
Deferred tax liabilities	(23)	(52)
DEFERRED TAX ASSETS, NET	**166**	**190**

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

(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 TAX ASSETS/(LIABILITIES)	**190**	**24**	**4**	**(52)**	**166**

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

(in € million)	At 31 March 2015	Change in P&L	Change in equity (*)	Translation adjustments and other changes	At 31 March 2016
Differences between carrying amount and tax basis of tangible and intangible assets	70	(61)	-	6	15
Accruals for employee benefit costs not yet deductible	67	(26)	(7)	(2)	32
Provisions and other accruals not yet deductible	148	(94)	-	19	73
Differences in recognition of margin on construction contracts	(16)	(9)	-	1	(24)
Tax loss carry forwards	489	(400)	-	(2)	87
Other	(37)	60	-	(16)	7
NET DEFERRED TAX ASSETS/(LIABILITIES)	**721**	**(530)**	**(7)**	**6**	**190**

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

The assessment of the ability to recover net deferred tax assets at 31 March 2017 (€166 million) 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.

Unrecognised deferred tax assets amounts to €1,312 million at 31 March 2017 (€1,125 million at 31 March 2016). Most of these unrecognised deferred taxes are originated from tax losses carried forward (€809 million at 31 March 2017 *vs* €791 million at 31 March 2016), out of which €632 million are not subject to expiry at 31 March 2017 (€606 million at 31 March 2016).

NOTE 9 • FINANCIAL STATEMENTS OF DISCONTINUED OPERATIONS AND 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.

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

Authorizations required from a regulatory and merger control standpoint, related to "staggered and delayed transferred assets" at the end of financial year March 2016, have been obtained, mainly in Russia and Brazil for financial year ended March 2017. The capital gain net of tax has been recognized under the line "Net profit from discontinued operations" for €77 million.

Furthermore, the line "Net profit from discontinued operations", recognized 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.

9.2. Financial statements of discontinued operations

As at 31 March 2017, only one Chinese entity remains accounted for as assets (and related liabilities) held for sale, while waiting for the precedent condition to be met. 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".

Balance sheet

(in € million)	At 31 March 2017	At 31 March 2016
Total non-current assets	4	17
Total current assets	6	23
Cash and cash equivalents	-	1
TOTAL ASSETS HELD FOR SALE	**10**	**41**

(in € million)	At 31 March 2017	At 31 March 2016
Total non-current liabilities (excluding financial debt)	-	22
Total current liabilities (excluding financial debt)	4	16
Financial debt	3	77
TOTAL LIABILITIES RELATED TO ASSETS HELD FOR SALE	**7**	**115**

Aggregated statement of cash-flow

In accordance with IFRS 5, the line "Cash Flows of discontinued operations" of Alstom's Consolidated Statement of Cash Flows takes into account the Energy activities (until its effective sale on 2 November 2015) as well as the cash flows of staggered and delayed transferred assets, until their effective transfer to General Electric.

	Year ended	
(in € million)	31 March 2017	31 March 2016
Operating flows provided/(used) by discontinued operations	(7)	(1,568)
Investing flows provided/(used) by discontinued operations	(68)	(932)
Financing flows provided/(used) by discontinued operations	3	1,949

Contingent liabilities

Upon completion of the General Electric transaction, the bonds issued to support the Energy business have been generally transferred to General Electric, which has taken over the relating parental counter guarantees. However, as of 31 March 2017, this transfer remains in progress for bonds and sureties amounting to €0.1 billion.

In addition, the Group remains, in close relationship with General Electric, in the process of obtaining 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 in an amount of €14.5 billion.

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 2017	31 March 2016
Net Profit attributable to equity holders of the parent:		
• From continuing operations	223	(1,083)
• From discontinued operations	66	4,084
EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**289**	**3,001**

10.2. Number of shares

(number of shares)	Year ended 31 March 2017	Year ended 31 March 2016
Weighted average number of ordinary shares used to calculate basic earnings per share	**219,322,035**	**295,034,182**
Effect of dilutive instruments other than bonds reimbursable with shares:		
• Stock options and performance shares (LTI plan)	3,818,476	2,476,084
• Performance shares (Alstom Sharing plans)	-	-
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE DILUTED EARNINGS PER SHARES	**223,140,511**	**297,510,266**

10.3. Earnings per share

(in €)	Year ended 31 March 2017	Year ended 31 March 2016
Basic earnings per share	1.32	10.17
Diluted earnings per share	1.30	10.09
Basic earnings per share from continuing operations	1.02	(3.67)
Diluted earnings per share from continuing operations	1.00	(3.64)
Basic earnings per share from discontinued operations	0.30	13.84
Diluted earnings per share from discontinued operations	0.30	13.73

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 organization 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 2016	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2017
GOODWILL	**1,366**	**113**	**-**	**34**	**1,513**
of which:					
Gross value	1,366	113	-	34	1,513
Impairment	-	-	-	-	-

Movements over the period ended 31 March 2017 mainly arose from:

- the adjustment in the calculation of the goodwill of GE Signalling for an amount of €64 million, at the end of the period of twelve months from the acquisition date (see Note 1.3.1);
- the preliminary calculation of the goodwill of Nomad (see Note 1.1) for an amount of €31 million.

In addition, the Group recognized additional goodwill following acquisitions that occurred over the period, for an amount of €18 million. These acquisitions are not significant on an individual basis.

Goodwill impairment test

As of 31 March 2017, 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 rationalization costs);
- tangibles and intangible impairment;
- costs incurred to realize business combinations and amortization 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 2017 *(in € million)*	1,513
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 2017	**1.5%**
Long-term growth rate at 31 March 2016	1.5%
After tax discount rate at 31 March 2017 (*)	**8.5%**
After tax discount rate at 31 March 2016 (*)	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
	(153)	153
After tax discount rate	-25 bp	+25 bp
	205	(190)
Long-term growth rate	-10 bp	+10 bp
	(62)	64

As of 31 March 2017, 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 2016	Additions/disposals/amortizations	Other changes of which translation adjustments and 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**

(in € million)	At 31 March 2015	Additions/disposals/amortizations	Other changes of which translation adjustments and scope	At 31 March 2016
Development costs	1,039	68	8	1,115
Other intangible assets	168	(8)	165	325
Gross value	**1,207**	**60**	**173**	**1,440**
Development costs	(662)	(239)	(4)	(905)
Other intangible assets	(101)	(41)	(6)	(148)
Amortisation and impairment	**(763)**	**(280)**	**(10)**	**(1,053)**
Development costs	377	(171)	4	210
Other intangible assets	67	(49)	159	177
NET VALUE	**444**	**(220)**	**163**	**387**

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 2016	Acquisitions/ amortizations/ impairments	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**

(in € million)	At 31 March 2015	Acquisitions/ amortizations/ impairments	Disposals	Other changes of which translation adjustments and scope	At 31 March 2016
Land	53	31	(2)	5	87
Buildings	629	58	(19)	20	688
Machinery and equipment	719	30	(30)	8	727
Constructions in progress	53	14	-	(9)	58
Tools, furniture, fixtures and other	234	22	(16)	17	257
Gross value	**1,687**	**155**	**(67)**	**42**	**1,817**
Land	(8)	(2)	(1)	2	(9)
Buildings	(318)	(96)	15	(6)	(405)
Machinery and equipment	(526)	(58)	26	5	(553)
Constructions in progress	(9)	(6)	-	-	(15)
Tools, furniture, fixtures and other	(171)	(28)	15	4	(180)
Amortisation and impairment	**(1,031)**	**(190)**	**55**	**4**	**(1,162)**
Land	45	29	(3)	7	78
Buildings	311	(38)	(4)	14	283
Machinery and equipment	193	(28)	(4)	13	174
Constructions in progress	44	8	-	(9)	43
Tools, furniture, fixtures and other	63	(6)	(1)	21	77
NET VALUE	**656**	**(35)**	**(12)**	**46**	**655**

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

(in € million)	At 31 March 2017	At 31 March 2016
Land	3	5
Buildings	15	21
Machinery and equipment	-	-
Tools, furniture, fixtures and other	1	2
NET VALUE OF TANGIBLE ASSETS HELD UNDER FINANCE LEASES	**19**	**28**

The Group continues to adapt and modernize its organization around the world, notably with the construction of new manufacturing sites in India and in South Africa. This mainly contributes to the commitments of fixed assets amounting to €75 million at 31 March 2017.

NOTE 13 • INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Financial information

	Share in equity		Share of net income	
			Year ended	
(in € million)	At 31 March 2017	At 31 March 2016	31 March 2017	31 March 2016
Grid Alliance	1,395	1,478	(78)	(15)
Renewable Alliance	(317)	547	(884)	(38)
Nuclear Alliance	(40)	117	(170)	(1)
Put on Alliances	1,287	94	1,222	91
Energy Alliances	**2,325**	**2,236**	**90**	**37**
The Breakers Investments B.V.	281	214	8	(10)
Other	89	101	(10)	24
Other Associates	**370**	**315**	**(2)**	**14**
Associates	**2,695**	**2,551**	**88**	**51**
Joint ventures	**60**	**37**	**(5)**	**(25)**
TOTAL	**2,755**	**2,588**	**83**	**26**
Of which continued			*82*	*30*
Of which discontinued			*1*	*(4)*

At 31 March 2017, the main variations are as follows:

- Energy Alliances: 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 (see Note 13.1);
- The Breakers Investments B.V.: the variation is mainly due to the currency translation effect for €59 million over the period.

Movements during the period

(in € million)	At 31 March 2017	At 31 March 2016
Opening balance	**2,588**	**327**
Share in net income of equity-accounted investments	83	26
Dividends	(8)	(21)
Acquisitions	32	2,314
Changes in consolidation method	-	12
Translation adjustments and other	60	(70)
CLOSING BALANCE	**2,755**	**2,588**

At 31 March 2017, Alstom invested into an increase in capital in SpeedInnov for €32 million during October 2016 (see Note 13.4).

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% – two 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

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.

The investments in Energy alliances include liquidity rights through put options on its shares to General Electric with a minimum guaranteed exit price. Alstom Group can exercise these liquidity rights in September 2018 or in September 2019 for Renewable and Grid Alliances and 3 months after the 5th and 6th anniversary for Nuclear Alliance. However, if put options were exercised jointly for Renewable and Grid alliances, then call option would be exercised by General Electric for Nuclear Alliance.

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

- the Group would exercise these puts during the period from 1 to 30 September 2018;
- 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 amortization of the time value are recognized over the holding period of the shares: the amount for the financial year 2016/17 is €90 million;
- the change in fair value of put options, qualified as a cash flow hedge, is recognized as follows:
  - €(31) million in other comprehensive income (of which €(28) million related to translation adjustment and to actuarial gains & losses symetrically to the hedged associates),
  - €1,132 million in the income statement symetrically to the result of Alliances on the period.

Summarized combined financial information (at 100%) presented below are the figures as of 31 December 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.

Balance sheet

	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
Assets held for sale	-	-	-
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
Liabilities related to assets held for sale	-	-	-
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)**

	At 31 December 2015		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Non-current assets	4,365	2,953	1,405
Current assets	4,152	1,967	1,652
Assets held for sale	-	-	1
TOTAL ASSETS	**8,517**	**4,920**	**3,058**
Equity-attributable to the owners of the parent company	2,840	1,050	563
Equity-attributable to non-controlling interests	446	32	-
Non-current liabilities	1,152	459	1,074
Current liabilities	4,079	3,379	1,420
Liabilities related to assets held for sale	-	-	1
TOTAL EQUITY AND LIABILITIES	**8,517**	**4,920**	**3,058**
Equity interest held by the Group	50%	50%	20%
NET ASSET	**1,420**	**525**	**112**
Goodwill	58	22	5
CARRYING VALUE OF THE GROUP'S INTERESTS	**1,478**	**547**	**117**

Income statement

	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)**
Other comprehensive income	(9)	41	59
TOTAL COMPREHENSIVE INCOME	**(166)**	**(1,727)**	**(789)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN THE NET INCOME	**(78)**	**(884)**	**(170)**

	Year ended 31 December 2015		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Sales	577	49	140
Net income	(29)	(76)	(3)
Share of non-controlling interests	-	-	-
Net income attributable to the owners of the parent company	**(29)**	**(76)**	**(3)**
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	**(29)**	**(76)**	**(3)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN THE NET INCOME	**(15)**	**(38)**	**(1)**

13.2. The Breakers Investments B.V.

On 27 May 2011, the Group acquired 25% stake (plus one share) in the company The Breakers Investments B.V. This company holds 100% 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).

On 29 December 2015, Alstom purchased an additional 8% shares in Transmashholding (TMH) from the Russian Railways (RZD) for €54 million. Following the deal, Alstom's stake in TMH reaches 33%. Alstom has three seats in the TMH Board of Directors. Alstom has only a significant influence over TMH, this group is accounted for under the equity method.

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

Balance sheet and reconciliation on carrying value

(in € million)	At 31 December 2016	At 31 December 2015
Non-current assets	955	747
Current assets	1,381	874
TOTAL ASSETS	**2,336**	**1,621**
Equity-attributable to the owners of the parent company	853	675
Equity-attributable to non-controlling interests	158	148
Non current liabilities	173	122
Current liabilities	1,152	676
TOTAL EQUITY AND LIABILITIES	**2,336**	**1,621**
Equity interest held by the Group	33%	33%
NET ASSET OF THE BREAKERS INVESTMENTS B.V.	**284**	**223**
Goodwill	85	68
Impairment of share in net asset of equity investments	(72)	(57)
Other (*)	(16)	(20)
CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**281**	**214**

(*) Correspond to fair value restatements calculated at the time of the acquisition.

Income statement

(in € million)	Year ended 31 December 2016	Year ended 31 December 2015
Sales	1,725	1,391
Net income from continuing operations	26	5
Share of non-controlling interests	14	15
Net income attributable to the owners of the parent company	**40**	**20**
Other comprehensive income	-	(21)
TOTAL COMPREHENSIVE INCOME	**26**	**(16)**
Equity interest held by the Group	33%	25%
GROUP'S SHARE IN THE NET INCOME OF THE BREAKERS INVESTMENTS B.V.	**13**	**5**
Other (*)	(5)	(15)
GROUP'S SHARE IN THE NET INCOME OF THE BREAKERS INVESTMENTS B.V.	**8**	**(10)**

(*) Correspond to the amortization of the amounts recognized 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 €84 million (of which €24 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 €89 million as of 31 March 2017 (€101 million as of 31 March 2016).

13.4. Investment in joint-ventures

	Share in equity		Share of net income	
(in € million)	At 31 March 2017	At 31 March 2016	For the year ended 31 March 2017	For the year ended 31 March 2016
SpeedInnov JV	60	27	-	-
Other	-	10	(5)	(25)
JOINT VENTURES	**60**	**37**	**(5)**	**(25)**

Main movement is linked to Joint Venture called SpeedInnov in partnership with ADEME *(Agence De l'Environnement et de la Maîtrise de l'Énergie)*. In October 2016, Alstom invested into an increase in capital in SpeedInnov for €32 million. After the transaction, Alstom stake decreased from 69.0% to 65.10% with no change in consolidation method.

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 2017	At 31 March 2016
Opening balance	**38**	**36**
Change in fair value (*)	-	-
Acquisitions	18	7
Translation adjustments and other	(1)	(5)
Transfert to assets held of sale	-	-
CLOSING BALANCE	**55**	**38**

(*) Change included in the other comprehensive income as fair value adjustments on available-for-sale assets.

In January 2017, Alstom has invested €14 million in EasyMile company, a French innovative start-up company developing the EZ10 electric driverless shuttle. In parallel, Alstom and EasyMile have signed a commercial partnership agreement aiming at joining their forces to provide integrated solutions for urban transportation.

The Group's equity investment in other investments is not significant on an individual basis and mainly pertains to 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 2017	At 31 March 2016
Financial non-current assets associated to financial debt (*)	260	318
Long-term loans, deposits and other	56	83
OTHER NON-CURRENT ASSETS	**316**	**401**

(*) 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 2017, €244 million receivables and €16 million deposit;
- at 31 March 2016, €301 million receivables and €17 million deposit.

F. WORKING CAPITAL

NOTE 16 • WORKING CAPITAL ANALYSIS

(in € million)	At 31 March 2017	At 31 March 2016	Variation
Inventories	916	834	82
Construction contracts in progress, net	(1,652)	(1,303)	(349)
Trade receivables	1,693	1,613	80
Other current operating assets/(liabilities)	(309)	(363)	54
Provisions	(864)	(863)	(1)
Trade payables	(1,029)	(1,133)	104
WORKING CAPITAL	**(1,245)**	**(1,215)**	**(30)**

(in € million)	Year ended 31 March 2017
Working capital at the beginning of the period	**(1,215)**
Changes in working capital resulting from operating activities	(104)
Changes in working capital resulting from investing activities	7
Translation adjustments and other changes	67
Total changes in working capital	**(30)**
WORKING CAPITAL AT THE END OF THE PERIOD	**(1,245)**

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 2017	At 31 March 2016
Raw materials and supplies	664	599
Work in progress	234	219
Finished products	130	121
Inventories, gross	**1,028**	**939**
Raw materials and supplies	(92)	(88)
Work in progress	(7)	(4)
Finished products	(13)	(13)
Write-down	**(112)**	**(105)**
INVENTORIES, NET	**916**	**834**

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 2017	At 31 March 2016	Variation
Construction contracts in progress, assets	2,834	2,356	478
Construction contracts in progress, liabilities	(4,486)	(3,659)	(827)
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,652)**	**(1,303)**	**(349)**

(in € million)	At 31 March 2017	At 31 March 2016	Variation
Contracts costs incurred plus recognised profits less recognised losses to date	33,078	33,612	(534)
Less progress billings	(32,454)	(32,911)	457
Construction contracts in progress excluding down payments received from customers	**624**	**701**	**(77)**
Down payments received from customers	(2,276)	(2,004)	(272)
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,652)**	**(1,303)**	**(349)**

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 derecognizes 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 2017	**1,693**	**1,175**	**167**	**88**	**263**
• o/w gross	1,715	1,189	167	88	271
• o/w impairment	(22)	(14)	-	-	(8)
AT 31 MARCH 2016	**1,613**	**1,190**	**156**	**76**	**191**
• o/w gross	1,655	1,190	156	76	233
• o/w impairment	(42)	-	-	-	(42)

NOTE 20 • OTHER CURRENT OPERATING ASSETS

(in € million)	At 31 March 2017	At 31 March 2016
Down payments made to suppliers	96	85
Corporate income tax	80	171
Other taxes	209	127
Prepaid expenses	60	47
Other receivables	199	185
Derivatives relating to operating activities	290	191
Remeasurement of hedged firm commitments in foreign currency	431	312
OTHER CURRENT OPERATING ASSETS	**1,365**	**1,118**

Movements over the period ended 31 March 2017 mainly arose from derivatives (included Remeasurement of hedged firm commitments in foreign currency). In addition, over the period ended 31 March 2017, the Group entered into an agreement of assignment of receivables that leads to the derecognition of tax receivables for an amount of €122 million in accordance with IAS 39 criteria.

NOTE 21 • OTHER CURRENT OPERATING LIABILITIES

(in € million)	At 31 March 2017	At 31 March 2016
Staff and associated liabilities	461	429
Corporate income tax	23	26
Other taxes	79	66
Deferred income	-	8
Other payables	439	490
Derivatives relating to operating activities	487	290
Remeasurement of hedged firm commitments in foreign currency	185	172
OTHER CURRENT OPERATING LIABILITIES	**1,674**	**1,481**

Movements over the period ended 31 March 2017 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 2016	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2017
Warranties	105	92	(34)	(54)	-	109
Litigations, claims and others	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**

(in € million)	At 31 March 2015	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2016
Warranties	100	59	(15)	(48)	9	105
Litigations, claims and others	931	66	(28)	(825)	(41)	103
Current provisions	**1,031**	**125**	**(43)**	**(873)**	**(32)**	**208**
Tax risks & litigations	106	159	(10)	(43)	2	214
Restructuring	47	56	(8)	(24)	(1)	70
Other non-current provisions	130	289	(20)	(15)	(13)	371
Non-current provisions	**283**	**504**	**(39)**	**(82)**	**(11)**	**655**
TOTAL PROVISIONS	**1,314**	**629**	**(81)**	**(955)**	**(44)**	**863**

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

Provisions for litigations, claims and others relate to operating risks that are 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.

Restructuring provisions derive from the footprint’s adaptation.

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 2017, the share capital of Alstom amounted to €1,537,982,810 consisting of 219,711,830 ordinary shares with a par value of €7 each. For the year ended 31 March 2017, the weighted average number of outstanding ordinary shares amounted to 219,322,035 after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions" and to 223,140,511 after the effect of all dilutive instruments.

During the year ended 31 March 2017:

- 504 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 31 shares at a par value of €7. The 77,050 bonds reimbursable with shares outstanding at 31 March 2017 represent 4,839 shares to be issued;
- 214,918 of ordinary shares were issued under long term incentive plans;
- 369,837 of ordinary shares were issued under equity settled share based payments.

23.2. Currency translation adjustment

As at 31 March 2017, the currency translation reserve amounts to €(334) million.

The currency translation adjustment, presented within the consolidated statement of comprehensive income for €107 million, primarily reflects the effect of variations of the US Dollar (€(3) million), British Pound (€(15) million), Brazilian Real (€52 million), and Russian Federation Rouble (€58 million) against the Euro for the year ended 31 March 2017.

NOTE 24 • DISTRIBUTION OF DIVIDENDS

The following dividends were distributed in respect of the previous three financial years:

- year ended 31 March 2016 (decision of Shareholders' Meeting held on 5 July 2016): no dividend distributed;
- year ended 31 March 2015 (decision of Shareholders' Meeting held on 30 June 2015): no dividend distributed;
- year ended 31 March 2014 (decision of Shareholders' Meeting held on 1 July 2014): no dividend distributed.

H. FINANCING AND FINANCIAL RISK MANAGEMENT

NOTE 25 • OTHER CURRENT FINANCIAL ASSETS

As at 31 March 2017, 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 2017	At 31 March 2016
Derivatives related to financing activities	8	22
OTHER CURRENT FINANCIAL ASSETS	**8**	**22**

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 2017	At 31 March 2016
Cash	459	507
Cash equivalents	1,104	1,454
CASH AND CASH EQUIVALENT	**1,563**	**1,961**

Following the General Electric transaction on 2 November 2015, the Group diversified its asset management policy in order to limit its counterparty risk. In addition to bank open deposits classified as cash for €459 million, the Group invests in cash equivalents:

- euro money market funds in an amount of €746 million (€1,143 million At 31 March 2016), 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 €358 million (€311 million At 31 March 2016).

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.

Carrying amount *(in € million)*	At 31 March 2017	At 31 March 2016
Bonds	1,519	1,970
Other borrowing facilities	175	115
Put options and earn-out on acquired entities	55	54
Derivatives relating to financing activities	12	18
Accrued interests	17	20
Borrowings	**1,778**	**2,177**
Non-current	*1,362*	*1,538*
Current	*416*	*639*
Obligations under finance leases	17	26
Other obligations under long-term rental (*)	244	301
Obligations under finance leases	**261**	**327**
Non-current	*233*	*280*
Current	*28*	*47*
TOTAL FINANCIAL DEBT	**2,039**	**2,504**

(*) The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Notes 15 and 34).

Change in financial debt position between 31 March 2016 and 2017 mainly arises from the bond reimbursement for €453 million at maturity.

The following table summarises the remaining bonds maturity schedule:

	Initial nominal value *(in € million)*	Maturity date	Nominal interest rate	Effective interest rate	Residual nominal value at 31 March 2017	Market value at 31 March 2017
Alstom October 2017	350	11/10/2017	2.25%	2.44%	272	275
Alstom October 2018	500	05/10/2018	3.63%	3.71%	371	391
Alstom July 2019	500	08/07/2019	3.00%	3.18%	282	300
Alstom March 2020	750	18/03/2020	4.50%	4.58%	594	670
TOTAL AND WEIGHTED AVERAGE RATE			**3.61%**	**3.72%**	**1,519**	**1,636**

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 2017	At 31 March 2016
Euro	1,585	2,005
Brazilian Real	68	24
British Pound	245	309
US Dollar	60	84
Other currencies	81	82
FINANCIAL DEBT IN NOMINAL VALUE	**2,039**	**2,504**

The external debt in GBP for €245 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, 27 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 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 instruments	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 operating 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 inc. related derivatives	Total
Interests	10	-	(87)	(77)
Interest income	*10*	-	-	*10*
Interest expense	-	-	*(87)*	*(87)*
Dividends	-	-	-	-
Impairment/loss from subsequent measurement	-	-	-	-
Gain on disposal	-	-	-	-
Foreign currency and other	-	-	(38)	(38)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2017	**10**	**-**	**(125)**	**(115)**

Year ended 31 March 2016

Balance sheet positions at 31 March 2016

			Carrying amount of financial instruments by categories (*)					Fair value of items classified as financial instruments			
At 31 March 2016 *(in € million)*	Balance sheet carrying amount	Carrying amount not defined as financial instruments	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	38	-	-	38	-	-	38	-	-	38	38
Other non-current assets	401	1	-	-	400	-	400	-	82	318	400
Trade receivables	1,613	-	-	-	1,613	-	1,613	-	1,613	-	1,613
Other current operating assets	1,118	466	312	-	150	191	652	-	652	-	652
Other current financial assets	22	-	-	-	-	22	22	-	22	-	22
Cash and cash equivalents	1,961	-	1,143	-	818	-	1,961	1,143	818	-	1,961
ASSETS	**5,153**	**467**	**1,455**	**38**	**2,981**	**213**	**4,686**	**1,143**	**3,187**	**356**	**4,686**
Non-current borrowings	1,538	-	-	-	1,538	-	1,538	1,666	16	-	1,682
Non-current obligations under finance leases	280	-	-	-	280	-	280	-	280	-	280
Current borrowings	639	-	-	-	621	18	639	467	187	-	654
Current obligations under finance leases	47	-	-	-	47	-	47	-	47	-	47
Trade payables	1,133	-	-	-	1,133	-	1,133	-	1,133	-	1,133
Other current operating liabilities	1,481	508	172	-	512	290	974	-	974	-	974
LIABILITIES	**5,118**	**508**	**172**	**-**	**4,131**	**308**	**4,611**	**2,133**	**2,637**	**-**	**4,770**

(*) 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.

Financial income and expense arising from financial instruments for the year ended 31 March 2016

(in € million)	FV P/L	AFS	LRL at amortised cost inc. related derivatives	Total
Interests	11	-	(225)	(214)
Interest income (*)	*11*	-	-	*11*
Interest expense	-	-	*(225)*	*(225)*
Dividends	-	1	-	1
Impairment/loss from subsequent measurement	-	-	-	-
Gain on disposal	-	-	-	-
Foreign currency and other	-	-	(105)	(105)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2016	**11**	**1**	**(330)**	**(318)**

(*) Excluding interest expense recharged to discontinued operations in application of the cash pool agreement.

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 Transport 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 2017, net derivatives positions amount to a net liability of €(4) million and comprise mainly forward currency contracts of US Dollar, British Pound, Saudi Riyal and South African Rand.

(in € million)	Net derivatives positions	
Currency 1/Currency 2 (*)	**Net notional**	**Fair value**
EUR/ZAR	(101)	(2)
EUR/USD	204	1
EUR/GBP	(292)	(3)
EUR/SAR	140	1
Other		(1)
NET DERIVATIVES RELATED TO FINANCING ACTIVITIES		**(4)**

(*) 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 2017 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 of 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 by Profit and Loss at Fair Market Value on derivatives.

At 31 March 2017, net derivatives positions amount to a net liability of €(197) million. They may be summarized as follows:

(in € million)	Net derivatives positions	
Currency 1/Currency 2 (*)	**Net notional**	**Fair value**
EUR/USD	(2,094)	(186)
EUR/BRL	96	26
EUR/INR	(154)	(36)
EUR/PLN	656	32
EUR/ZAR	(186)	(41)
Other		8
NET DERIVATIVES RELATED TO OPERATING ACTIVITIES		**(197)**

(*) 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 2017		At 31 March 2016	
(in € million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for fair value hedge	297	499	212	307
Derivatives qualifying for cash flow hedge	-	-	-	-
Derivatives qualifying for net investment hedge	-	-	-	-
Derivatives not qualifying for hedge accounting	1	-	1	1
TOTAL	**298**	**499**	**213**	**308**
Of which derivatives relating to financing activities	*8*	*12*	*22*	*18*
Of which derivatives relating to operating activities	*290*	*487*	*191*	*290*

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 2016 and 31 March 2017 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 collateralization 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 2017 *(in € million)*	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivatives assets	298		298	(240)		58
Derivatives liabilities	(499)		(499)	240		(259)

At 31 March 2016 *(in € million)*	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivatives assets	213		213	(164)		49
Derivatives liabilities	(308)		(308)	164		(144)

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

After the General Electric transaction, 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.

Carrying amount *(in € million)*	**At 31 March 2017**	**At 31 March 2016**
Financial assets at floating rate	1,618	2,023
Financial assets at fixed rate	260	335
Financial assets bearing interests	**1,878**	**2,358**
Financial debt at floating rate	(153)	(169)
Financial debt at fixed rate, put options and earn-out on acquired entities	(1,886)	(2,335)
Financial debt bearing interests	**(2,039)**	**(2,504)**
Total position at floating rate before swaps	1,465	1,854
Total position at fixed rate before swaps	(1,626)	(2,000)
Total position before hedging	**(161)**	**(146)**
Total position at floating rate after swaps	1,465	1,854
Total position at fixed rate after swaps	(1,626)	(2,000)
TOTAL POSITION AFTER HEDGING	**(161)**	**(146)**

Sensitivity is analysed based on the Group's net cash position at 31 March 2017, 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 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 (see also Note 19).

In specific cases, the Group may use export credit insurance policies which may hedge up to 85% of the credit risk on certain contracts.

Risk related to other financial assets

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 over 30 different counterparties and the risk is therefore highly diluted, the largest exposure with one single counterparty (rated Baa1) being limited to €25 million.

Risk related to cash and cash equivalents

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 €128 million at 31 March 2017 and €191 million At 31 March 2016 (for continuing activities).

28.5. Liquidity risk management

Financial covenants

In addition to its available cash and cash equivalents, amounting to €1, 563 million as of 31 March 2017, the Group can access a €400 million revolving credit facility, maturing in June 2022, which is fully undrawn at 31 March 2017.

This facility is subject to the following financial covenant, based on consolidated data:

Covenants	Maximum total net debt leverage
	(a)
	2.5

(a) Ratio of total net debt (Total debt less short-term investments less cash and cash equivalents) to EBITDA.

The key Group indicators used to calculate the financial covenants are detailed below:

(in € million)	For the year ended 31 March 2017	For the year ended 31 March 2016
EBITDA	515	358
Total net debt (excluding finance lease debt)	203	216
TOTAL NET DEBT LEVERAGE	**0.4**	**0.6**

EBITDA non-GAAP measure corresponds to EBIT before amortisation, depreciation and impairment and before gain/losses on disposals.

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

(in € million)	At 31 March 2017	At 31 March 2016
EBIT	**358**	**(226)**
Amortisation, Depreciation & Impairment	155	622
Capital G/L on Disposal of Investment	2	(38)
EBITDA	**515**	**358**

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. A revolving cash planning tool is used to monitor the Group's liquidity needs.

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.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2017 and 31 March 2016.

Financial instruments held at 31 March 2017

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

Cash flow for the years ended 31 March *(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
Marketable securities and 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

Cash flow for the years ended 31 March *(in € million)*	Carrying amount	2018		2019		2020-2022		2023 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	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

Cash flow for the years ended 31 March *(in € million)*	Carrying amount	2018		2019		2020-2022		2023 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	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**

Financial instruments held at 31 March 2016

Cash flow arising from instruments included in net cash/(debt) at 31 March 2016

Cash flow for the years ended 31 March *(in € million)*	Carrying amount	2017		2018		2019-2021		2022 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	318	21	38	9	21	-	243	-	16
Marketable securities and other current financial assets	22	-	22	-	-	-	-	-	-
Cash and cash equivalents	1,961	1	1,961	-	-	-	-	-	-
Assets	**2,301**	**22**	**2,021**	**9**	**21**	**-**	**243**	**-**	**16**
Non-current borrowings	(1,538)	(58)	-	(57)	(272)	(107)	(1,266)	-	-
Non-current obligations under finance leases	(280)	-	-	(10)	(11)	(2)	(222)	(1)	(47)
Current borrowings	(639)	-	(639)	-	-	-	-	-	-
Current obligations under finance leases	(47)	(22)	(47)	-	-	-	-	-	-
Liabilities	**(2,504)**	**(80)**	**(686)**	**(67)**	**(283)**	**(109)**	**(1,488)**	**(1)**	**(47)**
NET CASH/(DEBT)	**(203)**	**(58)**	**1,335**	**(58)**	**(262)**	**(109)**	**(1,245)**	**(1)**	**(31)**

Cash flow arising from operating derivatives at 31 March 2016

Cash flow for the years ended 31 March (in € million)	Carrying amount	2017		2018		2019-2021		2022 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	191	-	75	-	57	-	54	-	5
Assets	**191**	**-**	**75**	**-**	**57**	**-**	**54**	**-**	**5**
Other current operating liabilities	(290)	-	(114)	-	(96)	-	(67)	-	(13)
Liabilities	**(290)**	**-**	**(114)**	**-**	**(96)**	**-**	**(67)**	**-**	**(13)**
DERIVATIVES	**(99)**	**-**	**(39)**	**-**	**(39)**	**-**	**(13)**	**-**	**(8)**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2016

Cash flow for the years ended 31 March (in € million)	Carrying amount	2017		2018		2019-2021		2022 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Non consolidated investments	38	-	-	-	-	-	-	-	38
Other non-current assets	82	-	28	-	1	-	6	-	47
Trade receivables	1,613	-	1,613	-	-	-	-	-	-
Other current operating assets	461	-	461	-	-	-	-	-	-
Assets	**2,194**	**-**	**2,102**	**-**	**1**	**-**	**6**	**-**	**85**
Trade payables	(1,133)	-	(1,133)	-	-	-	-	-	-
Other current operating liabilities	(684)	-	(684)	-	-	-	-	-	-
Liabilities	**(1,817)**	**-**	**(1,817)**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER FINANCIAL ASSETS AND LIABILITIES	**377**	**-**	**285**	**-**	**1**	**-**	**6**	**-**	**85**

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 Mars 2017.

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 €995 million as of 31 March 2017 (see Note 29.2) is analysed as follows:

- several pension plans for €804 million;
- other post-employment benefits for €153 million which include mainly end-of-service benefits in France and Italy; and
- other long-term defined benefits for €38 million which mainly correspond to jubilees in France and Germany.

Net provisions for post-employment benefits total €526 million, as of 31 March 2017, compared with €486 million, as of 31 March 2016.

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 recognized 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 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)*

(in € million)	At 31 March 2016	United Kingdom	Euro zone	Other
Defined benefit obligations at beginning of year	**(952)**	**(388)**	**(431)**	**(133)**
Service cost	(29)	(9)	(16)	(4)
Plan participant contributions	(4)	(3)	-	(1)
Interest cost	(24)	(15)	(6)	(3)
Plan amendments	(1)	-	2	(3)
Business combinations/disposals	-	-	-	-
Curtailments	-	-	-	-
Settlements	11	-	11	-
Actuarial gains (losses) – due to experience	(12)	1	(7)	(6)
Actuarial gains (losses) – due to changes in financial assumptions	(20)	(4)	(14)	(2)
Benefits paid	65	2	24	39
Foreign currency translation and others	28	16	(11)	23
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	**(938)**	**(400)**	**(448)**	**(90)**
of which:				
Funded schemes	*(728)*	*(400)*	*(274)*	*(54)*
Unfunded schemes	*(210)*	-	*(174)*	*(36)*

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, Switzerland, the United States of America and Germany.

(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
Business combinations/disposals	-	-	-	-
Settlements	-	-	-	-
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**

(in € million)	At 31 March 2016	United Kingdom	Euro zone	Other
Fair value of plan assets at beginning of year	**500**	**355**	**72**	**73**
Interest income	15	13	1	1
Actuarial gains (losses) on assets due to experience	(10)	(12)	(4)	6
Company contributions	17	6	7	4
Plan participant contributions	4	3	-	1
Business combinations/disposals	-	-	-	-
Settlements	(9)	-	(9)	-
Benefits paid from plan assets	(30)	(2)	-	(28)
Foreign currency translation and others	(35)	(23)	1	(13)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**452**	**340**	**68**	**44**

29.4. Reconciliation of funded status of the plans with assets and liabilities recognised in the balance sheet

(in € million)	At 31 March 2017	At 31 March 2016
Defined benefit obligations	(995)	(938)
Fair value of plan assets	469	452
Funded status of the plans	**(526)**	**(486)**
Impact of asset ceiling	-	-
NET OF ACCRUED AND PREPAID BENEFIT COSTS AFTER ASSET CEILING	**(526)**	**(486)**
of which:		
Accrued pension and other employee benefit costs	*(526)*	*(487)*
Prepaid pension and other employee benefit costs	*-*	*1*

Movements over the period ended 31 March 2017 mainly arose from France, United Kingdom, Brazil, Sweden and the United States of America.

29.5. Components of plan assets

(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%**

(in € million)	At 31 March 2016	%	United Kingdom	Euro zone	Other
Equities	237	52.4%	64%	28%	4%
Bonds	159	35.2%	32%	67%	7%
Properties	11	2.4%	3%	-	0%
Other	45	10.0%	1%	5%	89%
TOTAL	**452**	**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. At 31 March 2017, plan assets do not include securities issued by the Group.

29.6. Assumptions (weighted average rates)

Actuarial valuations of the Group's benefit obligation have been made as of 31 March 2017 and 31 March 2016.

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 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

(in %)	At 31 March 2016	United Kingdom	Euro zone	Other
Discount rate	2.57	3.45	1.65	3.30
Rate of compensation increase	3.08	3.60	2.73	2.55

As of 31 March 2017, the weighted average durations of the defined benefit obligations are the following:

(in years)	At 31 March 2017	United Kingdom	Euro zone	Other
Weighted average duration	15	18	13	10

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 8.59% in the year ended 31 March 2017 and reduces thereafter to an ultimate rate of 4.49% from 2023 onwards.

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 2017
Impact of a 25 bp increase or decrease in the discount rate	(36)/+39
Impact of a 25 bp increase or decrease in the rate of compensation increase	+11/(9)

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

As at 31 March 2017, the benefit expense for the whole Group is the following:

(in € million)	Year ended 31 March 2017	United Kingdom	Euro zone	Other	Year ended 31 March 2016 (*)
Service cost	(34)	(10)	(16)	(8)	(29)
Defined contribution plans	(67)	(4)	(45)	(18)	(93)
Actuarial gains/(losses) on other long-term benefits	-	-	-	-	(3)
Past service gain (cost)	11	-	(1)	12	(1)
Curtailments/settlements	4	-	3	1	1
EBIT impact	**(86)**	**(14)**	**(59)**	**(13)**	**(125)**
Financial income (expense)	**(12)**	**(3)**	**(6)**	**(3)**	**(9)**
Net impact in discontinued activities	**(5)**	-	-	**(5)**	**(194)**
TOTAL BENEFIT EXPENSE	**(103)**	**(17)**	**(65)**	**(21)**	**(328)**

(*) Including €17 million in relation to the United Kingdom and €93 million in relation to the euro zone for the year ended 31 March 2016.

29.8. 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 2017 amounted to €27 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:

- €25 million in the year ending 31 March 2018;
- €23 million in the year ending 31 March 2019;
- €25 million in the year ending 31 March 2020.

Total cash spent for defined contribution plans in the year ended 31 March 2017 amounted to €67 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 9 July 2004	Plans issued by Shareholders Meeting on 26 June 2007				Plans issued by Shareholders Meeting on 22 June 2010	
	Plan n°9	Plan n°10	Plan n°10	Plan n°12	Plan n°12	Plan n°13	Plan n°13
	Stock options	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares
Grant date	28/09/2006	25/09/2007	25/09/2007	21/09/2009	21/09/2009	13/12/2010	13/12/2010
Exercise period	28/09/2009 27/09/2016	25/09/2010 24/09/2017	n/a	21/09/2012 20/09/2017	n/a	13/12/2013 12/12/2018	n/a
Number of beneficiaries	1,053	1,196	1,289	436	1,360	528	1,716
Adjusted number granted (1)	3,870,345	1,950,639	252,000	1,001,612	522,220	1,419,767	740,860
Adjusted number exercised since the origin	605,711	1,150	220,320	-	182,432	-	506,330
Adjusted number cancelled since the origin	3,264,634	344,237	31,680	653,449	339,788	467,740	234,530
Adjusted number outstanding at 31 March 2017	-	1,605,252	-	348,163	-	952,027	-
inc. to the present members of the Executive Committee	100,189	62,643	-	21,568	-	85,391	-
Adjusted exercise price (2) *(in €)*	32.48	58.73	n/a	43.48	n/a	28.83	n/a
Fair value at grant date *(in €)*	12.90	29.24	129.20	11.26	48.11	7.59	31.35

(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						Plan issued by Shareholders Meeting on 18 December 2015		
	Plan n°14	Plan n°14	Plan n°15	Plan n°15	Plan n°16	Plan n°16	PSP 2016	We are Alstom	PSP 2017
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Performance shares	Free shares	Performance shares
Grant date	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016	23/09/2016	17/03/2017
Exercise period	04/10/2014 03/10/2019	n/a	10/12/2015 09/12/2020	n/a	03/10/2016 30/09/2021	n/a	n/a	n/a	n/a
Number of beneficiaries	514	1,832	538	1,763	292	1,814	737	27,480	755
Adjusted number granted (1)	1,573,723	804,040	1,508,777	883,140	771,997	1,130,791	957,975	824,400	1,022,400
Adjusted number exercised since the origin	246,790	478,149	134,894	391,458	107,480	2,147	1,050	30	-
Adjusted number cancelled since the origin	637,317	325,891	805,502	491,682	70,555	104,186	53,775		
Adjusted number outstanding at 31 March 2017	689,616	-	568,381	-	593,962	1,024,458	903,150	824,370	1,022,400
inc. to the present members of the Executive Committee	56,957	-	48,111	-	70,688	52,545	168,000	-	187,500
Adjusted exercise price (2) *(in €)*	22.96	n/a	24.10	n/a	23.44	n/a	n/a	n/a	n/a
Fair value at grant date *(in €)*	3.14	19.77	5.80	26.70	3.84	22.62	17.12	23.39	19.72

(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 2017, stock options granted by plans 9, 10, 11, 12, 13, 14, 15 and 16 are fully vested. For plans 9 and 10, options will expire seven years after the end of the vesting period of each plan. For plans 12, 13, 14, 15 and 16 options will expire five years after the end of the vesting period.

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 will be delivered.

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.

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 2016". 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.

The number of Performance Shares will be determined as follows:

	2017/2018	2018/2019	2019/2020
KPI weight	20%	25%	55%
Free Cash Flow	10%	10%	10%
Condition	Progressive delivery from 0 to total number of granted shares with FCF up to +€200 million (yearly)		
Adjusted EBIT	10%	15%	15%
Condition	Progressive delivery from 0 to total number of granted shares with aEBIT *margin* up to 7% (yearly)		
TSR	0%	0%	30%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with Alstom TSR up to 5 points above Index TSR		

Movements

	Number of options	Weighted average exercise price per share *(in €)*	Number of performance shares
Outstanding at 31 March 2015	**7,513,788**	**39.06**	**1,560,141**
Granted (1)	1,572,120	0.00	1,189,666
Exercised (1)	(519,494)	16.07	(427,740)
Cancelled (1)	(727,859)	10.41	(113,230)
Outstanding at 31 March 2016	**7,838,555**	**35.44**	**2,208,837**
Granted (2)	-	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**
of which exercisable	*4,757,401*		*N/A*

(1) Includes share buyback adjustments on stock options plans 9, 10, 12, 13, 14, 15 and 16, performance shares 15 (international beneficiaries) and 16, as well as the 957,975 granted through the PSP 2016. The weighted average exercise price is also impacted by share buy-back.
(2) 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.

Valuation

	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
Grant date	21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011
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
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
Adjusted exercise price (*) *(in €)*	43.48	n/a	28.83	n/a	22.96	n/a
Share price at grant date *(in €)*	50.35	50.35	35.40	35.40	23.82	23.82
Volatility	30%	n/a	31%	n/a	31%	n/a
Risk free interest rate	2.0%	2.3%	1.8%	2.0%	1.5%	1.5%
Dividend yield	1.3%	1.3%	3.1%	3.1%	5.0%	5.0%

(*) 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°15	Plan n°15	Plan n°16	Plan n°16	PSP 16	We are Alstom	PSP 17
	Stock options	Performance shares	Stock options	Performance shares	Performance shares	Free 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
Expected life *(in years)*	4.0	2.5 or 4.0	3.0	4.0	3.2	2.0	3.2
End of vesting period	09/12/2015	31/05/2015 or 09/12/2016	30/09/2016	30/09/2017	17/03/2019	23/09/2018	17/05/2020
Adjusted exercise price (*) *(in €)*	24.10	n/a	23.44	n/a	n/a	n/a	n/a
Share price at grant date *(in €)*	29.77	29.77	26.33	26.33	21.84	24.00	26.56
Volatility	30%	n/a	28%	n/a	23%	n/a	22%
Risk free interest rate	0.5%	0.5%	0.9%	0.9%	(0.3)%	(0.6)%	(0.1)%
Dividend yield	3.4%	3.4%	3.8%	3.8%	3.8%	1.3%	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 and 16 as well as Monte Carlo model for PSP 2016 and PSP 2017, 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 CAC 40 comparable companies' volatility at the grant date for plans 11 to 16, and Alstom's volatility for the plans since PSP 2016.

The Group booked a total expense of €10 million for the year ended 31 March 2017 (to be compared to €8 million for the year ended 31 March 2016, of which €6 million in discontinued operations).

30.2. Stock appreciation rights ("SARs")

Key characteristics

	SARs n°8	Notional SARs (1)	SARs n°9	SARs n°10
Grant date	18/11/2005	16/12/2005	28/09/2006	25/09/2007
Vesting date	27/09/2008	27/09/2008	28/09/2009	25/09/2010
Expiry date	18/11/2015	26/09/2015	28/09/2016	24/09/2017
Number of beneficiaries	4	-	3	8
Adjusted number granted (2)	6,000	-	8,750	4,800
Adjusted number exercised since the origin	(5,000)	-	(1,250)	-
Adjusted number cancelled since the origin	(1,000)	-	(7,500)	(1,900)
Adjusted number outstanding at 31 March 2017	-	-	-	2,900
Adjusted exercise price (3) *(in €)*	22.45	17.88	36.05	73.42

(1) Notional SARs have been granted at an exercise price of €22.45 and are capped at €17.88
(2) 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
(3) 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 €)*
Outstanding at 31 March 2015	**19,550**	**41.05**
Granted	-	-
Exercised	(6,250)	31.65
Cancelled	(2,000)	47.94
Outstanding at 31 March 2016	**11,300**	**48.62**
Granted	-	-
Exercised	-	-
Cancelled	(8,400)	40.05
OUTSTANDING AT 31 MARCH 2017	**2,900**	**73.42**
of which exercisable	*2,900*	

Valuation

	SARs n°8	Notional SARs (1)	SARs n°9	SARs n°10
Grant date	18/11/2005	16/12/2005	28/09/2006	25/09/2007
Expected life *(in years)*	4	4	4	4
End of vesting period	27/09/2008	27/09/2008	28/09/2009	24/09/2010
Adjusted exercise price (2) *(in €)*	22.45	17.88	36.05	73.42
Share price at 31 March 2017 *(in €)*	28.02	28.02	28.02	28.02
Share price at 31 March 2016 *(in €)*	22.47	22.47	22.47	22.47
Volatility	17.92%	17.92%	17.92%	17.92%
Risk free interest rate	0.23%	0.23%	0.23%	0.23%
Dividend yield	5.0%	5.0%	5.0%	5.0%

(1) SARs of the Notional plan have been granted at an exercise price of €22.45 and are capped at €17.88.
(2) 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 recognized 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 2017	31 March 2016
Wages and salaries	1,723	1,320
Social charges	433	389
Post-employment and other long-term benefit expense (see Note 29)	103	134
Share-based payment expense (see Note 30)	10	2
TOTAL EMPLOYEE BENEFIT EXPENSE	**2,269**	**1,845**

	Year ended	
	31 March 2017	31 March 2016
Staff of consolidated companies at year end		
Managers, engineers and professionals	16,486	14,426
Other employees	16,293	16,544
HEADCOUNT	**32,779**	**30,970**

	Year ended	
	31 March 2017	31 March 2016
Average staff of consolidated companies over the period		
Managers, engineers and professionals	15,456	13,498
Other employees	16,419	16,041
HEADCOUNT	**31,875**	**29,539**

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 2019 of bonds with tenors up to 7 years.

As at 31 March 2017, the total outstanding bonding guarantees related to contracts from continuing operations, issued by banks or insurance companies, amounted to €8.3 billion (€7.6 billion At 31 March 2016).

The available amount under the Committed Bilateral Bonding Guarantee Facility Agreement At 31 March 2017 amounts to €1.2 billion (€1.1 billion At 31 March 2016). 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 expected to be presented in the coming months. 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 €760 million) excluding interests and possible damages in connection with a transportation project. The Group's subsidiary is actively defending itself against this action.

Alstom has 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 the first annual report on its integrity program pursuant to the applicable three-year reporting period. The second annual report was submitted to the DOJ at the end of 2016 and the third report is scheduled for transmission by end of 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 is scheduled to take place around the Summer of 2017 with the trial phase for the other transportation projects being expected in the Spring of 2018. It remains difficult to assess with precision the 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 is expected to establish draft findings during the course of 2017.

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.

The arbitration procedure is now in the phase of assessment of damages, the parties are processing documents production matters and are presenting their respective positions. This phase of exchange of claims and counterclaims memorials is expected to continue throughout 2017.

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 is challenging its contents with amendment requests. This challenge is under review by the competent tribunal and the technical expert is expected to submit his final report by the end of May 2017. 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.

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.

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

		Maturity of base payments		
(in € million)	Total	Within 1 year	1 to 5 years	Over 5 years
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**
Long term rental (*)	332	59	273	-
Finance leases	32	10	12	10
Operating leases	245	29	133	83
TOTAL AT 31 MARCH 2016	**609**	**98**	**418**	**93**

(*) 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 2017 and 31 March 2016 were as follows:

	Year ended 31 March 2017				Year ended 31 March 2016			
	Mazars		PricewaterhouseCoopers		Mazars		PricewaterhouseCoopers	
(in € million)	Amount	%	Amount	%	Amount	%	Amount	%
Independent Auditors' diligence, certification, review of individual and consolidated accounts	**3.3**	**85%**	**3.0**	**83%**	**4.8**	**84%**	**5.3**	**85%**
ALSTOM SA	*0.6*	*15%*	*0.9*	*25%*	*0.8*	*14%*	*0.9*	*15%*
Controlled entities	*2.7*	*69%*	*2.1*	*58%*	*4.0*	*70%*	*4.4*	*71%*
Non audit services (*)	**0.6**	**15%**	**0.6**	**17%**	**0.9**	**16%**	**0.9**	**15%**
TOTAL	**3.9**	**100%**	**3.6**	**100%**	**5.7**	**100%**	**6.2**	**100%**

(*) Mainly agreed upon procedures and 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

The *Agence des Participations de l'État* and Bouygues, a French company listed on Paris stock market, are the main shareholders of the Group, holding respectively 19.95% and 8.31% of Alstom's share capital and voting rights.

36.2. Related-party disclosures

The Group has business relationships with government-owned companies, in particular SNCF, RATP and some of their subsidiaries.

Transactions with SNCF concern the design and manufacturing of all types of railway rolling stock (tram-train, regional and intercity trains, high speed trains) for the needs of the businesses of SNCF Mobilités, They also concern studies, realization and supply of safety and signaling equipment and solutions.

Transactions with RATP concern the design and manufacturing of rolling stock for Paris network (regional double deck trains, metros and tramways) as well as studies, realization and supply of safety and signaling equipment and solutions.

Associated to those transactions, the Group provides also services with parts supply, repair and maintenance.

All these transactions are subject to public tenders with strict regulation and competition at normal market terms and represent €866 million sales for the year-ended 31 March 2017. In addition, the trade receivables with those related parties amount to €158 million, and the total outstanding bonding and parent guarantees related to those contracts amounted to €948 million at 31 March 2017.

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 2017**	**31 March 2016**
Short-term benefits (1)	**6,188**	**24,399**
Fixed gross salaries	4,063	4,847
Variable gross salaries	2,125	3,002
Exceptional amounts (1)	-	16,550
Post-employment benefits (2)	**1,377**	**1,064**
Post-employment defined benefit plans	905	915
Post-employment defined contribution plans	247	149
Other post-employment benefits	225	-
Other benefits	**4,201**	**6,987**
Non monetary benefits	823	455
Employer social contributions	1,988	5,459
Share-based payments	1,390	1,073
TOTAL	**11,766**	**32,450**

(1) As at 31 March 2017, no exceptional amount has been recognized. As at 31 March 2016, exceptional amounts correspond to retention premiums and success fees paid to the former Executive Committee, agreed by and linked to the effective closing of the deal with General Electric and to severance packages. They include the exceptional and conditional remuneration paid to M. Patrick Kron as per the Board decision on 4 November 2014.
(2) Evolution in Benefits is mainly due to the freeze of the Defined Benefit Pension plan awarded to the CEO and some Executive Committee members and the implementation of an alternative Defined Contribution plan.

Movements between 31 March 2016 and 2017 are mainly consecutive to the new Executive Committee membership.

NOTE 37 • SUBSEQUENT EVENTS

The Group has not identified any subsequent event to be reported.

NOTE 38 • MAJOR COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The major companies of the Group are listed below. The list of all consolidated companies is available on Group's Website.

Companies	Country	Ownership %	Consolidation Method
PARENT COMPANY			
ALSTOM	France	-	Parent Company
HOLDING COMPANIES			
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Transport UK (Holdings) Ltd	Great Britain	100%	Full consolidation
NOMAD HOLDINGS LIMITED	Great Britain	100%	Full consolidation
ALSTOM Manufacturing India Private Limited	India	100%	Full consolidation
ALSTOM S.p.A	Italy	100%	Full consolidation
ALSTOM Transport Holdings B.V.	Netherlands	100%	Full consolidation
New ALSTOM Holdings B.V.	Netherlands	100%	Full consolidation
THE BREAKERS INVESTMENTS B.V	Netherlands	33%	Equity method
ALSTOM Espana IB, S.L.	Spain	100%	Full consolidation
ALSTOM Transport Holding US inc.	USA	100%	Full consolidation
INDUSTRIAL COMPANIES			
Alstom Transport Australia Pty Limited	Australia	100%	Full consolidation
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Transport Canada Inc.	Canada	100%	Full consolidation
ALSTOM Chile S.A.	Chile	100%	Full consolidation
CASCO SIGNAL LTD	China	49%	Equity method
SHANGHAI ALSTOM Transport Electrical Equipment Company Ltd	China	60%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Transport Technologies	France	100%	Full consolidation
SPEEDINNOV	France	65%	Equity method
ALSTOM Transport Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Lokomotiven Service GmbH	Germany	100%	Full consolidation
ALSTOM Transport UK Limited	Great Britain	100%	Full consolidation
THE ATC JOINT VENTURE	Great Britain	38%	Joint operation
ALSTOM NL Service Provision Limited	Great Britain	100%	Full consolidation
ALSTOM Transport India Limited	India	100%	Full consolidation
MADHEPURA ELECTRIC LOCOMOTIVE PRIVATE LIMITED	India	100%	Full consolidation

Companies	Country	Ownership %	Consolidation Method
CITADIS ISRAEL LTD	Israel	100%	Full consolidation
ALSTOM Ferroviaria S.p.A	Italy	100%	Full consolidation
ALSTOM Hong Kong Ltd	Hong Kong	100%	Full consolidation
ALSTOM Transport Mexico, S.A. de C.V.	Mexico	100%	Full consolidation
ALSTOM Transport B.V.	Netherlands	100%	Full consolidation
ALSTOM Panama, S.A.	Panama	100%	Full consolidation
ALSTOM Transport SA (Romania)	Romania	93%	Full consolidation
ALSTOM Transport (S) Pte Ltd	Singapore	100%	Full consolidation
GIBELA RAIL TRANSPORT CONSORTIUM (PTY) LTD	South Africa	61%	Full consolidation
ALSTOM Transporte, S.A.	Spain	100%	Full consolidation
ALSTOM Transport AB	Sweden	100%	Full consolidation
Alstom Signaling Operation, LLC	USA	100%	Full consolidation
ALSTOM Transportation Inc.	USA	100%	Full consolidation
ALSTOM Signalling Inc.	USA	100%	Full consolidation
ENERGY JOINT VENTURES			
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 SOLUTIONS (U.S.) LLC	USA	30%	Equity method

STATUTORY FINANCIAL STATEMENTS

as at 31 March 2017

INCOME STATEMENT

		Year ended	
(in € million)	**Note**	**31 March 2017**	**31 March 2016**
Management fees and other operating income		52	99
Administrative costs and other operating expenses		(24)	(85)
Depreciation and amortisation expense		-	1
Operating income	**4**	**28**	**15**
Interest income		-	139
Interest expenses		(71)	(142)
Provisions		-	(300)
Bonds issuance costs and premiums recognised as income or expense		(3)	(9)
Change differences		-	19
Financial income	**5**	**(74)**	**(292)**
Current income		**(46)**	**(276)**
Non recurring result	**6**	**2**	**(91)**
Income tax credit	7	21	100
NET PROFIT		**(23)**	**(268)**
Total income		*57*	*1,107*
Total expenses		*(79)*	*(1,375)*

BALANCE SHEET

Assets

(in € million)	Note	At 31 March 2017	At 31 March 2016
FIXED ASSETS			
Intangible assets		-	-
Investments	8	8,016	8,016
Advances to subsidiary	8	54	303
Total fixed assets		**8,070**	**8,319**
CURRENT ASSETS			
Receivables	9	38	163
Cash		1	-
Deferred charges	10	4	6
Total current assets		**43**	**170**
TOTAL ASSETS		**8,113**	**8,489**

Liabilities

(in € million)	Note	At 31 March 2017	At 31 March 2016
SHAREHOLDERS' EQUITY			
Share capital		1,538	1,534
Additional paid-in capital		890	884
Legal reserve		210	210
Restricted reserve		33	21
General reserve		3,812	4,093
Net profit		(23)	(268)
Total shareholders' equity	**11**	**6,459**	**6,473**
PROVISIONS FOR RISKS AND CHARGES	**12**	**6**	**8**
LIABILITIES			
Bonds	14	1,539	1,995
Other borrowings	16	4	-
Trade payables	15, 16	3	9
Other payables	15, 16	102	4
Total liabilities		**1,648**	**2,008**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8,113**	**8,489**

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 2017 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 2016.

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

In September 2016, non-recourse factoring was used by ASLTOM to sell its Research Tax Credit ("CIR") and its Tax Credit for Competitiveness and Jobs ("CICE") regarding year 2013, 2014 and 2015 for a total amount of €123 million.

Tax credit recorded as liabilities against the subsidiaries affiliated to the tax group remain refundable to the said subsidiaries which are still members of the tax group with the initial schedule.

NOTE 4 • OPERATING INCOME

At the financial year ended 31 March 2017, operating income is essentially made of €51 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 (€1,131,074 paid for the financial year ended 31 March 2017) and directors' fees due for the fiscal year (€726,833 for the same financial year ended).

NOTE 5 • FINANCIAL INCOME

(in € million)	Year ended at 31 March 2017	Year ended at 31 March 2016
Net interest income on advances made to ALSTOM Holdings	-	134
Interest expenses on bonds	(71)	(127)
Interest expenses on borrowings	-	(9)
Provision	-	(300)
Bonds issuance costs and premiums recognised as income or expense	(3)	(9)
Change differences	-	19
TOTAL	**(74)**	**(292)**

At 31 March 2017, the Company has performed an impairment test of its investments in ALSTOM Holdings based on a multi-criteria approach (see Note 2.1 and Note 8.1).

As a result of the test, no additional provision for impairment was recorded as at 31 March 2017.

The net interest charge of the year amounts to €71 million.

The variation of net interest expenses is explained by:

- the full year effect of the repayment of bonds during last fiscal year and of one bond during the year ending 31 March 2017, decreasing interest expenses on bonds (see Note 14);
- the decrease of both nominal amounts and interest rates of loans to/current accounts with ALSTOM Holdings (see Notes 8.2 and 9).

NOTE 6 • NON-RECURRING RESULT

	Year ended at 31 March 2017			Year ended at 31 March 2016
(in € million)	Non-recurring income	Non-recurring expense	Net amount	Net amount
Disposals of fixed assets	-	-	-	(2)
Addition or release of provisions	3	-	3	722
Other	-	(1)	(1)	(811)
NON-RECURRING RESULT	**3**	**(1)**	**2**	**(91)**

NOTE 7 • INCOME TAX

The €21 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 2017, the Company being loss-making taxwise.

The deferred tax position of the Company at 31 March 2017, amounting to €1,450 million, is mainly composed of tax losses carried forward.

NOTE 8 • FINANCIAL ASSETS

8.1. Investments

(in € million)	At 31 March 2016	Provision	Release	At 31 March 2017
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.

At 31 March 2017, the Company has performed an impairment test of its investments in ALSTOM Holdings based on a multi-criteria approach (see Note 2.1). As a result of the test, no additional provision for impairment was recorded as at 31 March 2017.

8.2. Advances

(in € million)	At 31 March 2016	Variation	At 31 March 2017
Advances to ALSTOM Holdings			
• Gross value	303	(249)	54
• Accrued interests	-	-	-
TOTAL	**303**	**(249)**	**54**

Advances to ALSTOM Holdings have a maturity of less than one year and can be cancelled by anticipation, which ensures their liquidity.

NOTE 9 • RECEIVABLES

Current receivables can be broken down as follows:

	At 31 March 2017				At 31 March 2016	
(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	-	1	29	29
Trade receivables	3	3	-	3	1	-
"Research tax credit & others" receivables from the French Tax administration	34	-	34	-	118	-
Receivables on Group companies included in the Tax Group	-	-	-	-	15	15
Other receivables	-	-	-	-	-	-
TOTAL	**38**	**4**	**34**	**4**	**163**	**44**

NOTE 10 • DEFERRED CHARGES

(in € million)	At 31 March 2016	Amount capitalised during the period	Amortisation expense of the period	At 31 March 2017
Bonds issuance costs and premiums	6	-	(2)	4

NOTE 11 • SHAREHOLDERS' EQUITY

11.1. Share capital

As 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 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	**219,127,044**	**7**
Capital increase	-	7
Reimbursement of bonds	31	7
Exercise of options	369,837	7
Subscription of shares under employee sharing program	214,918	7
Shares buy back	-	7
EXISTING SHARES AT YEAR END	**219,711,830**	**7**

At 31 March 2016, ALSTOM's share capital amounted to €1,533,889,308 consisting of 219,127,044 ordinary shares with a par value of €7 and fully paid.

11.2. Changes in shareholders' equity

(in € million)	At 31 March 2016	Shareholders' Meeting held 5 July 2016	Other movements	At 31 March 2017
Capital	1,534		4	1,538
Additional paid-in capital	884		6	890
Legal reserve	210		-	210
Restricted reserve	21		11	33
General reserve	4,093	(268)	(13)	3,812
Net profit	(268)	268	(23)	(23)
SHAREHOLDERS' EQUITY	**6,473**	**-**	**(14)**	**6,459**

"Other movements" for the period arise from:

- €9 million cash contribution, resulting from the exercise of options;
- subscriptions of shares under employee sharing programme;
- conversions of convertible bonds;
- the €(23) million net loss of the period.

NOTE 12 • PROVISIONS FOR RISKS AND CHARGES

(in € million)	At 31 March 2016	Additions	Releases	At 31 March 2017
Litigations, disputes, and other	4	-	(4)	-
Fines	-	-	-	-
Post-employment defined benefits	4	2	-	6
PROVISION FOR RISKS AND CHARGES	**8**	**2**	**(4)**	**6**

12.1. Provisions for litigations and 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.

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.

Alstom has 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 the first annual report on its integrity program pursuant to the applicable three-year reporting period. The second annual report was submitted to the DOJ at the end of 2016 and the third report is scheduled for transmission by end of 2017.

12.2. Provisions for post-employment defined benefits

Provisions for post-employment defined benefits represent the defined benefits obligations towards the Company's CEO.

The Chairman and Chief Executive Officer also benefits from the supplemental collective retirement scheme implemented in 2004, and taken into account in the determination of his overall compensation. This scheme is composed of a defined contribution plan and a defined benefit plan.

With respect to the defined contribution plan, the rights are acquired annually and correspond to 1% of the annual remuneration up to four times the Social Security ceiling, 4% of the annual remuneration within a range of four to eight times the Social Security ceiling and 11% of the annual remuneration within a range of eight to twelve times the Social Security ceiling. Since 1 July 2014, up to 95% of social contributions are borne by the Company. The amount of contributions within the defined contribution plan was €26,118 for fiscal year 2016/17 of which €24,812 was paid by the Company in favor of Mr Poupart-Lafarge.

The defined benefit plan covers all persons exercising functions within the Group in France whose annual base remuneration exceeds eight times the annual French Social Security ceiling. The rights under the plan are vested only if the beneficiary retires from the Company and after claiming his or her retirement rights. Beneficiaries, who, after reaching the age of 55 years, are dismissed for any reason other than an act of gross negligence, can also benefit from this scheme provided they do not exercise any professional activities prior to the wind up of their pension.

This plan was frozen for all beneficiaries as of 31 December 2016 and the amount of commitments assumed by the Group for the benefit of Mr Henri Poupart-Lafarge at 31 March 2017 amounts to €5,511,000, including the rights acquired over the period from 1 April 2016 to 31 December 2016 (the performance conditions having been met) and the related tax provision.

The Chairman and Chief Executive Officer also benefits from the implementation, starting 1 January 2017, of an annual contribution dedicated to retirement paid to a third party organization. The calculation of this annual contribution will be based on Mr Henri Poupart-Lafarge's total annual remuneration (fixed and variable remuneration) as follows:

- 10% of the portion of his gross fixed remuneration between eight and twelve times the annual ceiling of the Social Security and 20% of the portion of his fixed remuneration greater than twelve times the annual ceiling of the Social Security;
- 20% of his annual variable compensation as determined by the Board of Directors;
- The reference remuneration (fixed and variable) for the calculation of the contribution may not, in any case, exceed €2,000,000.

No contribution will be paid if the calculation of the variable compensation is equal to zero.

The Chairman and Chief Executive Officer is committed, once the tax and social obligations relating to these contributions have been met, to keep the amounts paid on the dedicated retirement savings vehicle at least for the duration of his mandate. This new system allows, on a constant basis, to reduce the annual expense of the Company by approximately 25% in the full-year accounts on the basis of a remuneration corresponding to the annual objectives. An amount of €71,286 has been recorded for the financial year 2016/17 but no contribution has yet been paid.

NOTE 13 • BONDS REIMBURSABLE WITH SHARES

In December 2003, the Company had issued bonds reimbursable with shares maturing in December 2008.

At 31 March 2017, a balance of 77,050 bonds is still outstanding amounting to €0.1 million, in the absence of notification from bondholders regarding the redemption. Those bonds represent 4,839 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	**3,850**	**500**	**500**	**750**	**350**	**500**	**500**	**750**
Bonds issued	-							
Currency adjustments	-							
Repurchase	(875)			(297)	(78)	(129)	(217)	(154)
Bonds reimbursed at maturity date	(1,000)	(500)	(500)					
Outstanding amount at 31 March 2016	**1,975**			**453**	**272**	**371**	**283**	**596**
Bonds issued	-							
Currency adjustments	-							
Repurchase	-							
Bonds reimbursed at maturity date	(453)			(453)				
OUTSTANDING AMOUNT AT 31 MARCH 2017	**1,522**				**272**	**371**	**283**	**596**

During the year, €453 million bonds were reimbursed at maturity.

Accrued interests at 31 March 2017 amounting to €17 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 2017, the key Group indicators used to calculate the financial covenants are detailed below:

(in € million)	**For the year ended 31 March 2017**	**For the year ended 31 March 2016**
EBITDA (*)	515	358
Total net debt	207	216
TOTAL NET DEBT LEVERAGE	**0,4**	**0,6**

(*) EBIT before amortisation and impairment charges and before gain/losses on disposals.

NOTE 15 • PAYABLES AND RELATED PARTIES

	At 31 March 2017		At 31 March 2016	
(in € million)	Total	Out of which related parties	Total	Out of which related parties
Borrowings from subsidiary	-	-	-	-
Trade payables	3	-	9	6
Payables to members of the tax group	99	99	-	-
Payables to members of the VAT group	-	-	-	-
Other tax and social security payables	1	-	2	-
Other liabilities	2	-	2	-
TOTAL	**105**	**99**	**13**	**6**

The Company is the head of a "VAT Group", with five members (against four as at 31 March 2016). This group allows compensation between debit and credit statements of the five members.

NOTE 16 • MATURITY OF LIABILITIES

(in € million)	As at 31 March 2017	Within one year	One to five years	More than five years	Out of which related parties
Bonds	1,539	289	1,250	-	-
Other borrowings	4	4	-	-	-
Trade payables	3	3	-	-	-
Other payables	102	11	91	-	99
TOTAL	**1,648**	**307**	**1,341**	**-**	**99**

NOTE 17 • OTHER INFORMATION

17.1. Off Balance-sheet Commitments

Total outstanding guarantees given by the Company amount to €600 million at 31 March 2017, of which:

- €497 million guarantees of commercial obligations contracted by the subsidiaries;
- €103 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 9 July 2004	Plans issued by Shareholders Meeting on 26 June 2007				Plans issued by Shareholders Meeting on 22 June 2010	
	Plan n°9	Plan n°10	Plan n°10	Plan n°12	Plan n°12	Plan n°13	Plan n°13
	Stock options	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares
Grant date	28/09/2006	25/09/2007	25/09/2007	21/09/2009	21/09/2009	13/12/2010	13/12/2010
Exercise period	28/09/2009 27/09/2016	25/09/2010 24/09/2017	n/a	21/09/2012 20/09/2017	n/a	13/12/2013 12/12/2018	n/a
Number of beneficiaries	1,053	1,196	1,289	436	1,360	528	1,716
Adjusted number granted (1)	3,870,345	1,950,639	252,000	1,001,612	522,220	1,419,767	740,860
Adjusted number exercised since the origin	605,711	1,150	220,320	-	182,432	-	506,330
Adjusted number cancelled since the origin	3,264,634	344,237	31,680	653,449	339,788	467,740	234,530
Adjusted number outstanding at 31 March 2017	-	1,605,252	-	348,163	-	952,027	-
inc. to the present members of the Executive Committee	100,189	62,643	-	21,568	-	85,391	-
Adjusted exercise price (2) *(in €)*	32.48	58.73	n/a	43.48	n/a	28.83	n/a
Fair value at grant date *(in €)*	12.90	29.24	129.20	11.26	48.11	7.59	31.35

(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						Plan issued by Shareholders Meeting on 18 December 2015		
	Plan n°14	Plan n°14	Plan n°15	Plan n°15	Plan n°16	Plan n°16	PSP 2016	We are Alstom	PSP 2017
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Performance shares	Free shares	Performance shares
Grant date	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016	23/09/2016	17/03/2017
Exercise period	04/10/2014 03/10/2019	n/a	10/12/2015 09/12/2020	n/a	03/10/2016 30/09/2021	n/a	n/a	n/a	n/a
Number of beneficiaries	514	1,832	538	1,763	292	1,814	737	27,480	755
Adjusted number granted (1)	1,573,723	804,040	1,508,777	883,140	771,997	1,130,791	957,975	824,400	1,022,400
Adjusted number exercised since the origin	246,790	478,149	134,894	391,458	107,480	2,147	1,050	30	-
Adjusted number cancelled since the origin	637,317	325,891	805,502	491,682	70,555	104,186	53,775		
Adjusted number outstanding at 31 March 2017	689,616	-	568,381	-	593,962	1,024,458	903,150	824,370	1,022,400
inc. to the present members of the Executive Committee	56,957	-	48,111	-	70,688	52,545	168,000	-	187,500
Adjusted exercise price (2) *(in €)*	22.96	n/a	24.10	n/a	23.44	n/a	n/a	n/a	n/a
Fair value at grant date *(in €)*	3.14	19.77	5.80	26.70	3.84	22.62	17.12	23.39	19.72

(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 2017, stock options granted by plans 9, 10, 12, 13, 14, 15 and 16 are fully vested. For plans 9 and 10, options will expire seven years after the end of the vesting period of each plan. For plans 12, 13, 14, 15 and 16, options will expire five years after the end of the vesting period.

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 allocates 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 to be 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 will be delivered.

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.

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.

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 2016". 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.

The number of Performance Shares will be determined as follows:

	2017/18	2018/19	2019/20
KPI weight	20%	25%	55%
Free Cash Flow	10%	10%	10%
Condition	Progressive delivery from 0 to total number of granted shares with FCF up to + €200 million (yearly)		
Adjusted EBIT	10%	15%	15%
Condition	Progressive delivery from 0 to total number of granted shares with aEBIT *margin* up to 7% (yearly)		
TSR	0%	0%	30%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with Alstom TSR up to 5 points above Index TSR		

Movements

	Number of options	Weighted average exercise price per share *(in €)*	Number of performance shares
Outstanding at 31 March 2015	**7,513,788**	**39.06**	**1,560,141**
Granted (1)	1,572,120	0.00	1,189,666
Exercised (1)	(519,494)	16.07	(427,740)
Cancelled (1)	(727,859)	10.41	(113,230)
Outstanding at 31 March 2016	**7,838,555**	**35.44**	**2,208,837**
Granted (2)	-	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**
of which exercisable	*4,757,401*		*N/A*

(1) Includes share buyback adjustments on stock options plans 9, 10, 12, 13, 14, 15 and 16, as well as performance shares 15 (international beneficiaries) and 16, and as well as the 957,975 granted through the PSP 2016. The weighted average exercise price is also impacted by share buy-back.
(2) 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.

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 vested rights under the defined benefit supplemental pension plan, including regarding the portion of the accumulated rights related to the defined benefit pension plan closed as of 31 December 2016 and corresponding to an annual pension of €174,000, still subject to the presence condition at the time the Chairman and Chief Executive Officer will assert his pension rights by leaving Alstom. In the event of a forced departure, he could not keep rights to the exercise of vesting stock options or to vesting performance shares granted in the context of his mandate during the past two plans. The Chairman and Chief Executive Officer would benefit from a severance payment subject to performance conditions. It would be equal to two years of his target remuneration, fixed and variable, to which would be applied a coefficient matching the average level of attainment of targets applicable to his variable remuneration for the three years preceding his departure, capped at 100%. Consequently, the severance payment to which the Chairman and Chief Executive Officer could be entitled could not exceed two years of his target remuneration, fixed and variable, in accordance with the November 2015 version of the AFEP-MEDEF Code recommendations. It would include the severance payment to which Mr Henri Poupart-Lafarge is eligible in the frame of the suspension of this 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 2017	-
Dividends paid by ALSTOM Holdings to the Company during financial year ended at 31 March 2017	-
ALSTOM Holdings shareholders' equity at 31 March 2016	€4.1 billion
ALSTOM Holdings shareholders' equity at 31 March 2017	€7.7 billion

FIVE-YEAR SUMMARY

Information as per Article L. 232-1 of the French Commercial Code

	Year ended				
	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
1. SHARE CAPITAL AT YEAR END					
a) Share capital *(in € thousand)*	2,157,107	2,160,915	2,168,547	1,533,889	1,537,983
b) Number of outstanding issued shares	308,158,126	308,702,146	309,792,497	219,127,044	219,711,830
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	65	56	28	(782)	(45)
c) Income tax credit	11	29	39	100	21
d) Net income after tax, depreciation, impairment and provisions	67	(852)	(597)	(268)	(23)
e) Dividends [(1)]	259	-	-	-	-
3. EARNINGS PER SHARE *(in €)*					
a) Net earning after tax, but before depreciation, impairment and provisions	0.25	0.28	0.22	(3.11)	(0.11)
b) Net earning after tax, depreciation, impairment and provisions	0.22	(2.76)	(1.93)	(1.22)	(0.11)
c) Net dividend per share [(1)]	0.84	-	-	-	-
4. PERSONNEL					
a) Average headcount of the year	-	-	-	-	-
b) Amount of remuneration of the Chairman and Chief Executive Officer *(in € thousand)* [(2)]	2,211	2,156	1,744	7,823	1,131
c) Amount of social charges and other welfare benefits for the year *(in € thousand)*	796	769	464	811	305

(1) For the last year-end, subject to the approval of the General Shareholders Meeting.
(2) The amount mentioned 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 2017

Information as per Article 243-bis of the French Tax Code

The following will be proposed to the next shareholders' meeting:

- appropriation of the loss of the year ended 31 March 2017 of €(22,714,010.67), to be charged to the General Reserve account which will accordingly amount to €3,788,801,432.32;
- distribution of a dividend for an amount of €54,927,957.50 at €0.25 per share, deducted from the General Reserve account, which balance will amount accordingly to €3,733,873,474.82.

Pursuant to the provisions of Article 243 bis of the French General Tax Code, when paid to individual shareholders residing in France for tax purposes, the dividend is eligible for a tax abatement of 40% as provided for in Article 158-3-2° of the French General Tax Code. The dividend is subject to income tax at the progressive rate after application of a mandatory provisional withholding tax of 21% set forth in the fourth paragraph of Article 117 of the French General Tax Code.

The dividend coupon would be detached from the share on 7 July 2017 and would be paid out in cash as from 11 July 2017. In the case where, on the dividend payment date, the Company holds some of its own shares, the amount of the dividend on such shares would be allocated to the retained earnings.

Pursuant to Article 235 ter ZCA of the French tax code, this distribution shall be subject to an additional 3% tax. This tax charge will be borne by the Company.

No dividends were distributed in respect of the past three fiscal years.

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 loss amounted to €23 million and mainly comprised:

- €28 million operating income stemming from the fees for the use of ALSTOM name minus administrative costs and other external costs;
- €74 million financial charge;
- €2 million non-recurring income; and
- €21 million net income tax credit mainly linked to the tax grouping.

Balance sheet

Total of balance sheet amounts to €8,113 million and is mainly made of:

- **Assets:**
  - ALSTOM Holdings investments totalling €8,016 million in net value,
  - advances to ALSTOM Holdings amounting to €54 million.
- **Shareholders' equity and liabilities:**
  - shareholders' equity amounts to €6,459 million and is made of:
    - share capital: €1,538 million,
    - paid-in capital: €890 million,
    - reserves: €4,054 million,
    - net loss of the period: €(23) million.
  - provisions for risks and charges amounting to €6 million,
  - outstanding bonds amounting to €1,539 million.

Information on trade payables

In accordance with the Article D. 441-4 of the French Commercial Code, it is stated that trade payables recorded on the balance-sheet are made up as follows:

- received invoices to be paid amounting to nil (*versus* €1 million at 31 March 2016);
- invoices to come for €3 million (*versus* €9 million at 31 March 2016).

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended 31 March 2017)

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed 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,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2017, on:

- the audit of the accompanying financial statements of Alstom;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Investments

Investments are recorded as assets in your company's balance sheet for a net book value of € 8,016 million. Note 2.1 "Description of accounting policies – Investments" to the financial statements describes the methods adopted for accounting of these investments as well as the methods used to calculate impairment losses. We have examined the methodology used and assessed the reasonableness of the estimates applied by Alstom to perform the investment test, as described in Note 8 "Financial assets" to the financial statements.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

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 documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 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 companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the shareholdings and the control taken, and concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris La Défense, 9 May 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Édouard Demarcq	Cédric Haaser

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended 31 March 2017)

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's 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,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2017, on:

- the audit of the accompanying consolidated financial statements of Alstom;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2017 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.

Without qualifying our opinion, we draw your attention to the following matters mentioned in Note 33 "Disputes" which describes ongoing investigations by judicial authorities with respect to alleged illegal payments in certain countries.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

1. Construction contracts

As described in Notes 2.2, 2.3.5, 22 and 32 to the consolidated financial statements and related to the recognition of revenue and operating margin, Alstom makes estimates that may have a significant impact, notably when determining the margin at completion on each contract, determined on the basis of the latest information and contract status available. Those estimates are reflected on the balance sheet under "Construction contracts in progress, assets", "Construction contracts in progress, liabilities" and for contracts completed "Current provisions". We have examined the processes applied by Alstom and considered the data and assumptions on which the estimates are based.

2. Disputes

We have examined the procedures used by Alstom to identify, assess and account for disputes. We have ensured that the status of the disputes and the related uncertainties are adequately described in Note 33 to the consolidated financial statements.

3. Goodwill, tangible and intangible assets

Alstom performed an impairment test on goodwill at year-end and also assessed whether there was any indication of impairment of tangible and intangible assets, in accordance with the approach described in Notes 2.3.6 to the consolidated financial statements. We have assessed the impairment test performed and verified that Note 11 and 12 to the consolidated financial statements gives the appropriate information.

4. Deferred tax assets

As described in Notes 2.2 and 8 to the consolidated financial statements and related to taxation, Alstom reviews the carrying amounts of deferred tax assets at each balance sheet date. We have examined the data and assumptions on which this analysis has been performed, reviewed the calculations and verified that Notes 2.2 and 8 to the consolidated financial statements give the appropriate information.

As stated in Note 2.2 to the consolidated financial statements, several matters mentioned in the paragraphs above are based on estimates and assumptions which are uncertain by nature, and for which the final outcome may significantly differ from the initial forward looking data used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, 4 May 2017

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

The section below presents the main risk factors, applicable to Alstom and to its market environment. Together with the sections "Management report on consolidated financial statements – fiscal year 2016/17" and "Description of Group activities", it constitutes the Board of Directors' report on the Group's management for fiscal year 2016/17.

Internal control and risk management procedures are described in section "Corporate governance – Chairman's report" (the "Chairman's report"), which presents in particular the annual risk assessment process ("Group risk mapping") and the internal control questionnaire ("self-assessment questionnaire").

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 credit supply. The rail transportation market is highly dependent on public policy regarding the environment and transportation, and the increasing urbanization.

Since the crisis of 2008, the macroeconomic and financial environment remains volatile and uncertain, particularly in Europe, where significant risks are still present. Financial markets and credit supply have been periodically negatively impacted by ongoing fears surrounding the sovereign debts and budget deficits of several countries, the possibility of further downgrading of financial ratings or defaults on sovereign debt, as well as concerns about a macroeconomic environment weakened in the long-term, or regional or global returns to recessions. The resurgence of a sovereign debt crisis in Europe could again affect the financial markets and credit markets and more generally the European and global economy which could affect the Group's activities.

Government measures to reduce public expenditures in relation to the large sovereign debts 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 the United-States and Europe are creating new areas of economic and regulatory uncertainties.

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, 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 lower growth prospects and may also be experiencing 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 rail transportation 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 weighted to account for 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 depends 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 33,3% equity interest 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").

Growth projections in Russia have been subject to a downward adjustment. This 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, 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 Ruble 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 2017).

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 – fiscal year 2016/17".

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 or negative profits. 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 with whom Alstom may sometimes be jointly liable.

In addition, Alstom has signed many contracts containing requirements to comply with 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.

In addition, 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 2017, the aggregate outstanding amount of guarantees over contract granted by banks and insurance companies totals €8.3 billion (please refer to Note 32 to the consolidated financial statements for the year ended 31 March 2017).

Alstom has established strict risk control procedures applying from tendering to contract execution and monitoring, thanks to the various risks review processes as well as procedures implemented within the Group, as described in the Chairman's report in the section "Corporate governance". 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, or trigger unexpected legislative or regulatory changes that could significantly increase the costs of execution initially projected by Alstom for these contracts. As a result, these 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. 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 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 rail transport 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 so-called 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 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 important 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 process for securing the homologation of trains 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 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 dependent 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 28.6 to the consolidated financial statements for the fiscal year ended 31 March 2017 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, 18 and 19 to the consolidated financial statements for the fiscal year ended 31 March 2017. 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 evolution of demand 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 RAILWAY 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 makes for a complex environment. More specifically, the Group has entered into a Transition Services Agreement with General Electric, more specifically described on page [194], in order to continue benefiting from the access to certain IT solutions that are run by General Electric in the current transition phase. 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 or sabotage systems change frequently and are often not recognised before being launched against their target.

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 Information Systems & Technology function is presented in the Chairman's report, section "Corporate governance – Chairman's report – Internal control and risk management procedures' report".

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 yet cannot 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 €41 million to cover environmental risks linked to its activities as of 31 March 2017.

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 2017. 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 our 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.

FINANCIAL **RISKS**

CURRENCY EXCHANGE, INTEREST RATE, CREDIT AND LIQUIDITY RISKS

The Group is significantly exposed to currency exchange risks. Note 28 to the consolidated financial statements for the fiscal year ended 31 March 2017 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 €2,039 million as of 31 March 2017 is also given in Note 27 to the consolidated financial statements for the fiscal year ended 31 March 2017.

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 2017 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 2017.

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 Treasury Center.

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 2017.

(in € million)	Consolidated net equity
US Dollar	625
Brazilian Real	326
Chinese Yuan	93
Euro	1,963
Russian Rouble	271
Sterling	100
Other currencies	333
TOTAL	**3,712**

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 2016/17	**Variation of 1%**	**Variation of 5%**
US Dollar	9.4	47.3
Brazilian Real	1.7	8.6
Russian Rouble	0	0.3
Chinese Yuan	0.9	4.6
Sterling	7.1	35.8

In the fiscal year ended 31 March 2017, the change in exchange rate had an impact of €66 million on the amount of consolidated sales of Alstom.

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 2016/17	**Variation of 1%**	**Variation of 5%**
US Dollar	6.2	31.3
Brazilian Real	3.2	16.3
Russian Rouble	2.7	13.5
Chinese Yuan	0.9	4.7
Sterling	1	5

In the fiscal year ended 31 March 2017, the change in exchange rate had an impact of €+107 million on Alstom's equity.

Liquidity risk

In addition to its available cash and cash equivalents, amounting to €1,563 million as of 31 March 2017, 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 2017. 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 2017.

The Group €2,039 million financial debt is now mainly concentrated on the following maturities:

BONDS ISSUANCE MATURITIES

Instrument	Amount *(in € million)*	Maturity	Nominal Interest rate
Capital market			
EMTN	272	11 October 2017	2.250%
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 2019 with a possible extension of one year at the discretion of the banks (the "Committed Bonding Facility"). As of 31 March 2017 the available amount under the Committed Bonding Facility was €1.2 billion. In addition the Group has the ability to issue bonds from non-committed bilateral lines in numerous countries (as of 31 March 2017, €6.8 billion were drawn from these bilateral facilities).

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 2017. Alstom complied with this covenant as at 31 March 2017.

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.

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 Chairman's report in the section "Corporate governance".

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 2017 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 2017.

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 2017. 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 Notes 1 and 13.1 to the consolidated financial statements for the fiscal year ended 31 March 2017) 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 and 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. See also Note 23 to the financial statements for the fiscal year ended 31 March 2017.

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 at 31 March 2017, net provisions for pension obligations totalled €526 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 2017.

The Pension Committee supervises and monitors pension plans and other employee benefits as described in the Chairman's report (section "Corporate governance – Chairman's report – Internal control and risk management procedures' report").

RISKS IN RELATION TO INTANGIBLE ASSETS

Intangible assets of Alstom activities consist primarily of goodwill and capitalised development costs. As of 31 March 2017, goodwill of Alstom activities amounted to €1,513 million (see Note 11 to the consolidated financial statements for the fiscal year ended 31 March 2017) from the acquisition of companies in recent years. As of 31 March 2017, the capitalised development costs of activities amounted to €230 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 2017, the deferred tax assets of the Group amounted to €189 million (see Note 8 to the consolidated financial statements for the fiscal year ended 31 March 2017). 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 2017, 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. In January 2017, Alstom has acquired the British company Nomad Holdings, which is a provider of passenger and fleet connectivity solutions to the railway industry, in order to develop Alstom activities in the field of digital technologies.

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.

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 finalization 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.

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. Alstom cannot warrant that the replacement of these guarantees will be fully completed within the envisaged time frame 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 2017.

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 modernization 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.

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 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 2017.

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 ANTI-COMPETITIVE ACTIVITIES AND ILLEGAL PAYMENTS

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 2017. 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 2017.

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 2017.

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 corruption 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 and 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 sections "Corporate governance – Chairman's report – Internal control and risks management procedures' report – Ethics & Compliance Department" and "Corporate governance – Chairman's report – Internal control and risks management procedures' report – Legal function".

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 section "Corporate Governance – Chairman's report – Internal control and risk management procedures' report".

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 also section "Corporate governance – Chairman's report – Internal control and risk management procedures' report".

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 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 a 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. Submits 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.

The costs of the main Group policies represent approximately 0.5% of the annual consolidated sales for the fiscal year 2016/17.

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CORPORATE GOVERNANCE

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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 Company has been committed for many years to carrying out the corporate governance principles published by the AFEP and the MEDEF.

The latest version of the Corporate Governance Code to which the Company adheres is the AFEP-MEDEF Corporate Governance Code updated in November 2016.

The Chairman's report, the first section of which is dedicated to corporate governance, presents the decisions made by the Board of Directors in that respect, as set forth in Article L. 225-37 of the French Commercial Code.

CHAIRMAN'S **REPORT**

pursuant to Article L. 225-37 of the French Commercial Code

Pursuant to Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors presents, in this report for the fiscal year ended on 31 March 2017, the composition of the Board of Directors, the application of the principle of balanced representation of men and women, the Corporate Governance Code to which the Company adheres, the conditions for the preparation and organisation of the Board of Directors' duties, the limitations that the Board can impose on the Chief Executive Officer's powers, the principles and rules set by the Board to determine the compensation and benefits of any kind to be paid to the Company's Executive and Non-Executive Directors *(mandataires sociaux)*, other disclosures required pursuant to Article L. 225-37 of the French Commercial Code, as well as the internal control and risk management procedures implemented by the Company at the Group level.

This report was reviewed and approved by the Board of Directors at its meeting held on 3 May 2017, after the Audit Committee reviewed the chapter relating to the internal control and risk management procedures, the Nominations and Remuneration Committee reviewed the chapter relating to corporate governance and the Ethics, Compliance and Sustainability Committee reviewed the sections within its field of expertise.

In a separate report, the Statutory Auditors present their observations on the content of this report, and more specifically on the internal control procedures relating to the preparation and the processing of accounting and financial information and on compliance with the disclosure of other information required pursuant to Article L. 225-37 of the French Commercial Code.

CORPORATE GOVERNANCE CODE

The AFEP-MEDEF Corporate Governance Code for listed companies updated in November 2016 represents the Corporate Governance Code applicable to the Company for the purpose of this report (the "AFEP-MEDEF Code"). This code is available on the AFEP Internet site (www.afep.com) and on the Company's Internet site (www.alstom.com, section "About us/Corporate governance").

Based on the recommendation of the Nominations and Remuneration Committee, the Board of Directors annually reviews the Company's corporate governance practices to ensure that it correctly applies these recommendations, or to explain any discrepancies. The Board of Directors also reviews specific topics upon recommendation of its Committees.

Pursuant to Article L. 225-37 of the French Commercial Code, some differences relative to the recommendations of the AFEP-MEDEF Code as interpreted by the Application Guide to the Code published by the High Committee for Corporate Governance in December 2016 are provided in this report and summarized in a table included on page [188].

CORPORATE GOVERNANCE AND EXECUTIVE AND NON-EXECUTIVE DIRECTORS' COMPENSATION REPORT

Representatives of the Legal Department, the Human Resources Department, and the Finance Department contributed to the drafting of this section.

Board of Directors

Composition of the Board of Directors

As of 3 May 2017, the Board of Directors is composed of thirteen members, four of whom are non-French nationals and seven of whom are independent within the meaning of the AFEP-MEDEF Code (*i.e.,* 53.8%). Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer, is the only Director who performs executive duties.

Since 2002, the Directors are appointed for a four-year period. Staggered 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 an age limit applicable to Directors beyond the legal limit.

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 Board of Directors took note of the resignations of Mr Alan Thomson and Mr Pascal Colombani as Directors, effective on 8 November 2016 and 17 March 2017, respectively. The Board thanked them warmly for their respective contributions to the Board's work since their appointment.

Following these departures, the Board of Directors appointed Ms Sylvie Kandé de Beaupuy as Director at its meeting held on 30 January 2017 and Yann Delabrière as Director at its meeting held on 17 March 2017.

On the Nominations and Remuneration Committee's recommendation, the Board will propose ratification, at the General Shareholders' Meeting called for 4 July 2017, of the appointments of Ms Sylvie Kandé de Beaupuy and Mr Yann Delabrière to serve out the remainder of their predecessors' respective terms of office.

Ms Sylvie Kandé de Beaupuy was appointed Chairman of the Ethics, Compliance and Sustainability Committee, replacing Mr Pascal Colombani.

Upon conclusion of the General Shareholders' Meeting to be held on 4 July 2017, and subject to ratification of his appointment, Mr Yann Delabrière will replace Mr Gérard Hauser as Lead Director and Chairman of the Nominations and Remuneration Committee.

At the next General Sharehoders' Meeting, the Board will also propose the appointment of Ms Françoise Colpron, whose biography is included hereafter, as Director for four years. The Board agreed that Ms Françoise Colpron met all of the AFEP-MEDEF Code's criteria for qualification as an independent Director.

Ms Françoise Colpron is President of Valeo's North American region, responsible for the activities of the group in the United States, Mexico and Canada since 2008. She joined Valeo in 1998 in the legal department and has had several roles; first as Legal Director for the Climate Control branch in Paris, and most recently as General Counsel for North and South America from 2005 to 2015. Before joining Valeo, Ms Colpron began her career as a lawyer at Ogilvy Renault in Montreal, Canada (now part of the Norton Rose Group). Ms Colpron earned a Civil Law degree in 1992 from the University of Montreal, Canada. She was admitted to the Quebec bar in 1993 and to the Michigan bar in 2003. In 2015, Ms Françoise Colpron was recognized by Automotive News as one of the "100 Leading Women in the North American Auto Industry" and, in 2016, by Crain's Detroit Business as one of the "100 Most Influential Women in Michigan," a list that includes leaders in business, academia, nonprofits and public policy. Ms Françoise Colpron is knight of the *Legion d'Honneur*.

Following approvals and appointments and after the annual review of the independence criteria of Directors, as set forth on page [·], the Board of Directors will consist of fourteen Directors, seven of whom will qualify as independent (50%), and the ratio of women serving on the Board will increase to 42.8%.

There is no employee or shareholder employee representative serving on the Board of Directors of the Company. Within the Alstom Group, legal provisions regarding employee representation on Boards of Directors apply to ALSTOM Transport SA, which has one Director representing the employees on its Board of Directors.

Under 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 3 May 2017, Directors who are natural persons together held an total of 37,490 Company shares, while Bouygues held 18,260,866 shares (in February 2016, Bouygues transferred 43,825,360 shares to the French *Agence des Participations de l'État* under the terms of a loan of shares transaction between Bouygues and the French State).

The tables below provide summaries of the composition of the Board and its Committees as of 3 May 2017 and details on how they have changed:

SUMMARY OF THE MEMBERSHIP OF THE BOARD OF DIRECTORS ON 3 MAY 2017 AND AREAS OF EXPERTISE OF ITS MEMBERS

				Committee Membership						
Name	Title	Age	Independent Director	Audit	N&R (1)	EC&S (2)	First Term Start	Current Term End	Years on Board	Experience
Henri Poupart-Lafarge	Chairman and CEO Director	48					2015	2019	2	Industry, International
Candace K. Beinecke	Director	70			√		2001	2019	16	Law, International
Olivier Bourges	Director	50					2015	2019	2	Law, International
Olivier Bouygues	Director	66					2006	2018	11	Industry, International
Bi Yong Chungunco	Director	54	√			√	2014	2018	3	Law, International
Yann Delabrière	Director	66	√		√		2017	2020	0	Industry, International
Gerard Hauser	Director	75	√		√ Chairman	√	2003	2020	14	Industry, International
Sylvie Kandé de Beaupuy	Director	60	√			√ Chairman	2017	2019	0	Law, International
Klaus Mangold	Director	73	√		√		2007	2019	10	Industry, International
Géraldine Picaud	Director	47	√	√ Chairman			2015	2019	2	Finance, International
Sylvie Rucar	Director	60	√	√	√		2015	2019	2	Industry, International
Bouygues SA represented by Philippe Marien	Director	60		√			2008	2018	9	Finance, International
French State represented by Pascal Faure	Director	54					2016	2020	1	Industry, International

(1) Nominations and Remuneration Committee.
(2) Ethics, Compliance and Sustainability Committee.

The information relating to the Directors' mandates and functions held in other companies are presented below.

Summary of the changes in the composition of the Board of Directors and Committees

The following provides a summary of the changes in the Board of Directors' membership that occurred over the course of the 2016/17 fiscal year as well as the changes to be proposed at the next General Shareholders' Meeting:

	General Meeting held on 5 July 2016	General Meeting to be held on 4 July 2017
Departure/End of term		
Reappointment	Mr Pascal Colombani (1) Mr Gérard Hauser (1)	
Ratification/Appointment	Mr Pascal Faure (2)	Ms Françoise Colpron (1) Mr Yann Delabrière (1) Ms Sylvie Kandé de Beaupuy (1)

(1) Independent Director.
(2) Director representing the French State appointed by Order, dated 25 July 2016.

Subject to ratification of the appointments of Mr Yann Delabrière and Ms Sylvie Kandé de Beaupuy at the General Shareholders' Meeting to be held on 4 July 2017, the membership of the Committees will be as follows:

	As from 5 July 2016	Following the General Meeting of Shareholders to be held on 4 July 2017
AUDIT COMMITTEE		
Chair	Mr Alan Thomson (1) (3)	Ms Géraldine Picaud (1)
Members	Mr Pascal Colombani (1) (4) Mr Philippe Marien (2) Ms Géraldine Picaud (1)	Mr Philippe Marien (2) Ms Sylvie Rucar (1)
NOMINATIONS AND REMUNERATION COMMITTEE		
Chair	Mr Gérard Hauser (1)	Mr Yann Delabrière (1)
Members	Ms Candace Beinecke Mr Olivier Bouygues Mr Klaus Mangold (1) Ms Sylvie Rucar (1)	Ms Candace Beinecke Mr Gérard Hauser (5) Mr Klaus Mangold (1) Ms Sylvie Rucar (1)
ETHICS, COMPLIANCE AND SUSTAINABILITY COMMITTEE		
Chair	Mr Pascal Colombani (1) (4)	Ms Sylvie Kandé de Beaupuy (1)
Members	Ms Bi Yong Chungunco (1) Ms Sylvie Rucar (1)	Ms Bi Yong Chungunco (1) Mr Gérard Hauser (5)

(1) Independent Director.
(2) Permanent representative of Bouygues SA.
(3) Mr Alan Thomson resigned as a Director on 8 November 2016.
(4) Mr Pascal Colombani resigned as a Director on 17 March 2017.
(5) Mr Gérard Hauser will no longer retain the status of independent Director following conclusion of the General Shareholders' Meeting called for 4 July 2017 (see page [·] of the Registration Document).

Executive management

Combination of the positions of Chairman and Chief Executive Officer – Limitations on the Chairman and Chief Executive Officer's powers

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.

In addition to the duties assigned to the Lead Director set forth below, 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 Chairmen 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.

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 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 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 the Lead Director to assist in the completion of his or her assignments.

As from 30 June 2015, the Board of Directors entrusted to independent Director Mr Gérard Hauser the position of Lead Director, as well as the position of Chairman of the Nominations and Remuneration Committee, the Committee responsible for matters of corporate governance. The Lead Director's activity report can be found in this report on page [174].

At its meeting held on 3 May 2017 the Board of Directors decided that, subject to ratification of his appointment, Mr Yann Delabrière would serve as Lead Director, following the General Shareholers' Meeting to be held on 4 July 2017, succeeding Mr Gérard Hauser.

Governance of Alstom on completion of the contemplated transaction with General Electric

On 4 November 2014, on conclusion of the information-consultation procedure with personnel representative bodies, the Board of Directors unanimously approved the signing of an agreement with General Electric to sell Alstom's Energy businesses, namely Power (electricity generation) and Grid (the "Energy businesses"), as well as shared and central services. This agreement materialised the revised offer received from General Electric, which was unanimously accepted by the Board of Directors on 21 June 2014. The agreements were signed by Alstom and General Electric on 4 November 2014 following the Board meeting held the same day. On 5 November 2014, the French government gave its authorisation for the transaction under Article L. 151-3 of the Monetary and Financial Code relating to foreign investments in France. The Board of Directors then submitted the transaction to a vote at the General Shareholders' Meeting, in accordance with the terms of the AFEP-MEDEF Code. The Extraordinary General Shareholders' Meeting dated 19 December 2014 approved the transaction with 99.2% of votes in favour. The sale of the Energy businesses was finalised on 2 November 2015.

The Board of Directors had announced that this sale would be followed by the distribution to the shareholders of a portion of the proceeds it received from the sale to General Electric.

The Board also noted that under the memorandum of understanding signed on 22 June 2014 between the French State and Bouygues, Bouygues and the French State have agreed to make their best efforts to ensure that the Board of Directors of the Company comprises, following the completion of the distribution to the shareholders of a proportion of the proceeds from the sale of the Energy's activities, a Director designated by Bouygues, provided that Bouygues holds at least 1% of the share capital of the Company, and two Directors proposed by the French Republic.

In accordance with the terms of the aforementioned agreement, 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"). The resolution called 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 Order of the Minister of Finance and Public Accounts and of the Minister of the Economy, Industry, and Digital Economy, dated 25 July 2016, Mr Pascal Faure was appointed the State's representative on ALSTOM's Board of Directors.

Information on the Board members

The information provided below also constitutes the information of the Board of Directors' Report to the Shareholders' Meeting set forth in paragraph 4 of Article L. 225-102-1 of the French Commercial Code. The information is accurate as of 3 May 2017.

Henri Poupart-Lafarge

Age: 48.

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 mandate: AGM 2019.

First mandate: 2015-2019.

Holds 19,560 shares.

Other current directorships and positions:

In France:

Director of Vallourec (*)

Abroad:

Director of Transmashholding (TMH)

Past directorships and positions (held during the past five years):

In France:

Within the Alstom Group:

Chairman of ALSTOM Executive Management (2014-2015)
Chairman of ALSTOM Sextant 5 (2009-2012)
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 1 February 2016.

Candace K. Beinecke

Age: 70.

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 mandate: AGM 2019.

First mandate: 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 First Eagle Funds (*), a leading US public mutual fund family
Lead independent Trustee of Vornado Realty Trust (NYSE) (*)
Member, Board of Directors, Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc.

Non-profit organisations:

Director, Vice-Chair, the Partnership for New York City
Chair, The Wallace Foundation
Trustee, The Metropolitan Museum of Art

Past directorships and positions (held during the past five years):

In France:

–

Abroad:

–

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".

(*) Listed company.

Olivier Bourges

Age: 50.

Nationality: French.

Professional address: 75, avenue de la Grande-Armée, 75116 Paris (France).

Principal function: Secretary General of PSA Peugeot-Citroën (*).

End of current mandate: AGM 2019.

Holds 2,000 shares.

Other current directorships and positions:

In France:

Within the PSA Peugeot-Citroën Group:

Secretary General, member of the Executive Committee of PSA Peugeot-Citroën (*)
Chairman of Banque PSA Finance

Outside of the PSA Peugeot-Citroën Group:

Director of GEFCO

Abroad:

Director PCMH
Director IKAP

Past directorships and positions (held during the past five years):

In France:

Outside of the PSA Peugeot-Citroën Group:

Director of Engie (*) (2009-2013)
Director of Thales (*) (2009-2013)
Director of Dexia (*) (2009-2013)
Director of La Poste (2010-2013)

Abroad:

–

Biography:

An *École nationale d'administration* alumnus, Olivier Bourges began his career in 1992 with the French Ministry of the Economy and Finance, at the Treasury Department where he was responsible for financing matters, in particular in banking and housing, but also internationally, as Alternate Director of BIRD in Washington, DC. He joined the Renault group in 2000 where he was first in charge of investor relations, and then of vehicle profitability. He then became responsible of strategy and vehicle program management at Nissan North America in Nashville, TN, before becoming corporate controller of the Renault group. In late 2009, he joined the French State Equity Investments Agency (APE) of the French Ministry of the Economy and Finance to act as a Deputy Executive Director. In 2013 he became Deputy Executive Director of Public Finance, responsible for operations and transformation projects. He joined PSA Peugeot Citroën on 1 September 2014 to act as *Secrétaire Général*.

Olivier Bouygues

Age: 66.

Nationality: French.

Professional address: Bouygues – 32, avenue Hoche – 75378 Paris Cedex 08 (France).

Principal function: Deputy Chief Executive Officer of Bouygues (*).

End of current mandate: AGM 2018.

First mandate: 28 June 2006 – 22 June 2010.

Holds 2,000 shares.

Other current directorships and positions:

In France:

Chief Executive Officer of SCDM
Chairman of SAGRI-E and SAGRI-F

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) outside Bouygues Group:

In France:

Director of Bouygues Immobilier (9 December 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: 54.

Nationality: Filipino.

Professional address: LafargeHolcim – Holcim Technology (Singapore) Pte Ltd – 152 Beach Road #31-05/08 Gateway East Singapore 189721 / Singapore.
Principal function: Head of Divestments of LafargeHolcim (*) and Head of Lafarge China.

End of current mandate: AGM 2018.

Independent Director.
Member of the Ethics, Compliance and Sustainability Committee.

Holds 2,000 shares.

Other current directorships and positions:

In France:

–

Abroad:

Director of Lafarge Malaysia Berhad (*) (Malaysia)
Director of Sichuan Shuangma Cement Ltd (*) China
Other directorship in non-listed companies of LafargeHolcim Group

Past directorships and positions (held during the past five years):

In France:

Group General Counsel and *Secrétaire Général* of Lafarge SA
Chairman of Société Financière Immobilière et Mobilière (Lafarge subsidiary)

Abroad:

Area Manager, South East Asia (West) of LafargeHolcim Group
Director of Lafarge Republic Inc. (*) (Philippines)
Director of Lafarge Surma Cement Ltd (*) (Bangladesh)
Other directorship in non-listed companies of Lafarge Group

Biography:

Ms Bi Yong Chungunco is currently 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.

Yann Delabrière

Age: 66.

Nationality: French.

Professional address: 2, rue Hennape – Nanterre Cedex – 92735 (France).

Principal function: Chairman of the Board of Directors of Faurecia (*).

End of current mandate: AGM 2020.

Date of first appointment: 17 March 2017.

Independent Director.
Member of the Nominations and Remuneration Committee.

After the General Shareholders' Meeting of 4 July 2017, subject to the ratification of his co-optation:
Lead Director.
Chairman of the Nominations and Remuneration Committee.

Holds 2,000 shares.

Other current directorships and positions:

In France:

Director of Cap Gemini SA (*)
Chairman of MM Consulting

Abroad:

Past directorships and positions (held during the past five years)

In France:

Director of Société Générale (*) (2016)

Biography:

Mr Yann Delabrière is a graduate of the Ecole Normale Supérieure, the Ecole Nationale d'Administration and in Mathematics. He began his career at the *Cour des Comptes* before working in the cabinet office of the Foreign Trade Ministry. He then worked as Financial Director of Coface and for the 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 in 2007. Since 1st July 2016, he is Chairman of the Board of Directors of Faurecia. Mr Yann Delabrière is also director of Cap Gemini SA.

(*) Listed company.

Gérard Hauser

Age: 75.

Nationality: French.

Principal function: Director of companies.

End of mandate: AGM 2020.

First mandate: 11 March 2003 – 9 July 2004.

Independent Director.
Lead Director.
Chairman of the Nominations and Remuneration Committee.
Member of the Ethics, Compliance and Sustainability Committee

After the General Shareholders' Meeting of 4 July 2017:
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: 60.

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 mandate: AGM 2019.

Date of first appointment: 30 January 2017.

Independent Director.
Chairwoman of the Ethics, Compliance and Sustainability Committee.

Other current directorships and positions:

In France:

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Abroad:

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Past directorships and positions (held during the past five years):

In France:

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Abroad:

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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: 73.

Nationality: German.

Professional address: Mangold Consulting GmbH – Leitz-Strasse 45 – 70469 Stuttgart (Germany).

Principal function: Chairman of the Supervisory Board of Rothschild GmbH (Frankfurt).

End of current mandate: AGM 2019.

First mandate: 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 Europe of Rothschild, Paris/London
Member of the Supervisory Board of Continental AG (*), Hannover, Germany
Chairman of the Supervisory Board of Rothschild GmbH, Frankfurt, Germany
Chairman of the Supervisory Board of TUI AG (*), Hannover, Germany
Member of the Supervisory Board of Baiterek NHV, Kazakhstan
Member of the Global Governance Council of Ernst & Young Global Ltd., United States
Member of the Global Advisory Group of Rothschild, Paris/London

Past directorships and positions (held during the past five years):

In France:

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Abroad:

Chairman of the Supervisory Board of ALSTOM Deutschland AG, Germany (until February 2016)
Member of the Supervisory Board of Swarco AG, Austria (until June 2016)
Member of the Supervisory Board of Metro AG (*) (until May 2013)
Member of the Supervisory Board of Drees & Sommer AG, Stuttgart (until November 2012)
Member of the Supervisory Board of Universitätsklinikum, Freiburg (until May 2011)

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 is 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: 47.

Nationality: French.

Professional address: Essilor International, 147, rue de Paris – 94227 Charenton-le-Pont Cedex (France).

Principal function: Chief Financial Officer of the Essilor Group (*).

End of current mandate: AGM 2019.

Independent Director.
Chairwoman of the Audit Committee.

Holds 2,000 shares.

Other current directorships and positions:

Within the Essilor Group:

In France:

Member of the Board of Directors of the Vision for Life Foundation

Abroad:

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

Outside of the Essilor Group:

In France:

–

Abroad:

Member of the Board of Directors of Infineon Technologies AG (*)

Past directorships and positions (held during the past five years):

Within the Essilor Group:

In France:

–

Abroad:

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

Outside of the Essilor Group:

In France:

Member of the Board of Directors of Aéroports de Paris (*)

Abroad:

Member of the Board of Directors of Alcan Rubber & Chemicals Inc.

(*) Listed company.

Member of the Board of Directors and of the Audit Committee of DE Masterblenders 1753 (*)

Biography:

Ms Géraldine Picaud, is 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).

Sylvie Rucar

Age: 60.

Nationality: French.

Professional address: 9 bis, rue Saint-Armand – 75015 Paris (France).

Principal function: Advisor.

End of current mandate: AGM 2019.

Independent Director.
Member of the Nominations and Remuneration Committee
Member of the Audit Committee.
Holds 500 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), Chairman 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:

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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).

Pascal Faure

Age: 54.

Nationality: French.

Professional address: *Ministère de l'Économie, de l'Industrie et du Numérique, Direction générale des entreprises*, 67, rue Barbès – BP 80001 – 94201 Ivry-sur-Seine cedex.

Principal function: General Manager *(Directeur Général)* of the *Direction générale des entreprises* (DGE).

Appointed by the French State as its permanent representative by Ministerial Order dated 25 July 2016.

End of current mandate: AGM 2020.

The *Agence des Participations de l'État* holds 43,825,361 shares.

Other current directorships and positions:

In France:

Director appointed by the French State, Renault (*)
Government Representative on the Board, La Poste (*)
Member of the Board of Directors (non-voting Director), Areva SA (*)
Director representing the French State: Bpifrance Participations, Bpifrance Investissement
Member of the Atomic Energy Committee
Director representing the French State: Mines Paris Tech; *Agence nationale de la recherche*

Abroad:

–

Past directorships and positions (held during the past five years):

In France:

Member of the Board: *École polytechnique* (until 2013)
Member of the Board, Government representative: Institut Mines Telecom (until 2013)
Member of the Board, Government representative: Française des Jeux (until 2013)
Member of the Board, Government representative: France Telecom/Orange (until 2013)
Member of the Board, Government representative: *École normale supérieure* (until 2013)

Abroad:

-

(*) Listed company.

Biography:

Pascal Faure is *Ingénieur général des mines,* and is a graduate of the *École polytechnique* (class of 1983) and the *École nationale supérieure des télécommunications de Paris* (class of 1988).

Pascal Faure began his career in the United States, working in the R&D divisions of both Bell Laboratories and Apple Computer (USA, CA). Upon his return to France, he joined the National Centre for Telecommunications Research (France Télécom/CNET), where he worked as a project manager in the area of secure communications and cryptography. From 1992 to 1995, he worked at the Ministry for the Budget on appropriations for government IT policy. He was then appointed technical adviser to the office of the Minister for Tourism, with responsibility for budgetary and tax issues, employment and regional development, before becoming a technical adviser at the office of the Minister for Regional Development, Urban Affairs and Integration. From 1997 to 2001, Pascal Faure served as Director of Development, Director of Financial Affairs and Deputy General Administrator of the *Institut Télécom.* He was then appointed Deputy Technical Director at the Ministry of Defence. Concurrently, he served as Chairman of the Association of Telecommunications Engineers between 2001 and 2006. Between 2007 and 2012, Pascal Faure served successively as Vice-Chairman of the General Council for Information Technologies (CGTI), Vice-Chairman of the General Council for Industry, Energy and Technologies (CGIET) and Vice-Chairman of General Council for the Economy, Industry, Energy and Technologies (CGEIET). On 5 December 2012, Pascal Faure was appointed Head of the Directorate General for Competitiveness, Industry and Services (DGCIS). On 17 September 2014, as the Directorate General for Competitiveness, Industry and Services was renamed the Directorate general for Enterprise (DGE), he became Head of the Directorate general for Enterprise (DGE).

Pascal Faure is Officer of the Legion of Honour, Officer of the National Order of Merit and recipient of the *Ordre des palmes académiques.*

Philippe Marien

Age: 61.

Nationality: French.

Professional address: Bouygues – 32, avenue Hoche – 75378 Paris Cedex 08 (France).

Principal function: Chief Financial Officer of Bouygues group (*).

Member of the Audit Committee.

Designated by Bouygues (*) as its permanent representative.

End of Bouygues' mandate: AGM 2018

Bouygues SA
French *société anonyme* with a share capital of €354,908,547.
Head Office: 32, avenue Hoche – 75378 Paris Cedex 08 (France).

Holds 62,086,227 shares including 43,825,360 lent to State.

Other current directorships and positions of Bouygues SA:

In France:

Director of Bouygues Construction
Director of TF1 (*)
Director of Colas (*)
Director of Bouygues Telecom
Director of C2S
Member of the Board of Bouygues Immobilier
Director of 32 Hoche
Member of the Board of the managing entity of the Gustave-Eiffel Center
Member of the Board of the Dauphine Foundation
Member of the Board of GIE Registrar

Past directorships and positions of Bouygues SA (held during the past five years):

In France:

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Current directorships and positions of Mr Philippe Marien as a permanent representative of Bouygues SA:

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, Director of C2S
Permanent representative of Bouygues on the Boards of Bouygues Telecom

Other current directorships and positions of Mr Philippe Marien inside Bouygues Group:

Director of Bouygues Europe (Belgium)
Director of Uniservice

Current directorships and positions of Mr Philippe Marien outside Bouygues Group:

Chief Executive Officer of SCDM

Past directorships and positions of Mr Philippe Marien (held during the past five years):

Chairman of the Board of Bouygues Telecom (2013)
Liquidator of Finamag (2015)
Director of Bouygues Telecom (11 April 2017)

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.

(*) Listed company.
(1) Bouygues' oil and gas services activity, sold to Saipem in May 2002.
(2) Bouygues' utilities subsidiary, sold to PAI partners in November 2004.

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 December 18, 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 June 30, 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 evidence of personal wrongdoing and maintained the penalty solely in his capacity as legal representative of Faurecia S.A.. On August 22, 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 2016/17 fiscal year, there is no restriction applicable to any of the other members of the Board of Directors relative to the sale of their equity stake in the 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.

Evaluation of the Directors' independence

According to the AFEP-MEDEF Code and as set forth in the Board of Directors' Internal Rules, the Board of Directors re-examines annually the situation of each Director in the light of the independence criteria. The Board meeting of 3 May 2017 performed this review based on the proposals made by the Nominations and Remuneration Committee that the Board had accepted.

As in the previous year, the Board used the AFEP-MEDEF Code's definition as its reference 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 suggestions for assessing the independence of its members, and established that in order to be qualified as independent, a Director must not:

- criterion 1: 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;
- criterion 2: be an executive officer *(dirigeant mandataire social)* 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)* of the Company (currently or over the past five years) holds a seat as Director;
- criterion 3: 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;
- criterion 4: have any close family ties with a Corporate Officer *(mandataire social)* of the Company;
- criterion 5: have been a Statutory Auditor of the Company in the past five years;
- criterion 6: 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);
- criterion 7: 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;
- criterion 8: 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 accordance 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 (criterion 3). Whenever business activities or relationships were developed and identified between Alstom 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.

At the time of the meeting held on 10 May 2016, the Board of Directors carefully reviewed the situation of Mr Gérard Hauser whose term of office exceeded the term of twelve years (criterion 6) upon conclusion of the General Shareholders' Meeting called for 5 July 2016 and whose reappointment was proposed at such General Meeting for a term of four years. The Board of Directors considered that, since the Company's sale of its Energy businesses to General Electric led to the in-depth overhaul of its senior management, the fact that Mr Gerard Hauser has exercised his duties for more than twelve years does not compromise his ability to exercise independent judgement vis-à-vis other senior executives, of whom he has only indirectly controlled the actions. In addition, this sale also significantly modified the Company's scope of consolidation, since its business activities are now refocused on the Transport business, which, pre-sale, only represented roughly 30% of the former Alstom's total scope of consolidation. Therefore, the fact that Mr Gérard Hauser remained in office for more than twelve years should not compromise his ability to exercise independent judgement *vis-à-vis* general or more strategic decisions that have been or will be taken in the context of this new scope of consolidation. Now refocused on its Transport business, Alstom's activities target significant investments projects and long-term contracts. As such, long-term Board experience is helpful for monitoring the changes in the Company's business activities based on his historical development, and to formulate a more informed opinion in order to make more informed investment decisions. Board considered the fact that, in the next two years, the Company must carry out transactions associated with the completion of the sale of the Energy businesses to General Electric, and that it holds significant equity in joint ventures established with the latter in the energy sector. This justifies retaining Board member who has an in-depth understanding of these businesses as well as the terms and conditions of the transaction with General Electric. Based on these considerations, and the role of Mr Gerard Hauser (Lead Director and Chairman of the Nominations and Remuneration Committee), the Board decided that, in the event the General Shareholders' Meeting dated 5 July 2016 votes to renew his term of office, Mr Gerard Hauser should maintain his independent Director status. Mr Gérard Hauser was reappointed at the General Shareholders' Meeting held on 5 July 2016. At its meeting on 3 May 2017, the Board of Directors once again carefully reviewed Mr Gérard Hauser's situation and concluded that the status of independent Director could still be maintained, the factors for analysing this issue used by the Board on 10 May 2016 having remained unchanged. With Mr Gérard Hauser's agreement, however, and to enable the Company to apply criterion 6 relating to seniority on the Board strictly, as recommended by the AFEP-MEDEF Code, the Board decided that Mr Gérard Hauser would no longer retain the status of independent Director following conclusion of the Annual General Shareholders' Meeting called for 4 July 2017.

Therefore, after reviewing all the criteria, the Board of Directors decided that, as of 3 May 2017, seven Directors of the thirteen Directors making up the Board qualified as independent, corresponding to 53.8%.

In accordance with the AFEP-MEDEF Code, the Board of Directors also reviewed the situation of Ms Sylvie Kandé de Beaupuy and Mr Yann Delabrière, appointed to fill vacancies on the Board of Directors on 30 January and 17 March 2017, ratification of whom would be proposed at the General Shareholders' Meeting to be held on 4 July 2017, as well as of Ms Françoise Colpron, whose appointment is to be proposed at such General Shareholders' Meeting.

AFEP-MEDEF Criteria (*)

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Criterion 8	Qualification assigned by the Board
Henri Poupart-Lafarge		√	√	√	√	√	√		Not independent
Candace Beinecke	√	√		√	√		√	√	Not independent
Olivier Bourges	√	√	√	√	√	√		√	Not independent
Olivier Bouygues	√		√	√	√	√		√	Not independent
Bi Yong Chungunco	√	√	√	√	√	√	√	√	Independent
Yann Delabrière (2)	√	√	√	√	√	√	√	√	Independent
Sylvie Kandé de Beaupuy (2)	√	√	√	√	√	√	√	√	Independent
Gérard Hauser (1)	√	√	√	√	√		√	√	Not independent
Klaus Mangold	√	√	√	√	√	√	√	√	Independent
Géraldine Picaud	√	√	√	√	√	√	√	√	Independent
Sylvie Rucar	√	√	√	√	√	√	√	√	Independent
Françoise Colpron (3)	√	√	√	√	√	√	√	√	Independent
Bouygues represented by Philippe Marien	√		√	√	√	√		√	Not independent
French State represented by Pascal Faure	√	√	√	√	√	√		√	Not independent

(*) The criterion is considered met when marked with a "√".
(1) Upon conclusion of the General Shareholders' Meeting to be held on 4 July 2017.
(2) Ratification of whom will be proposed at the General Shareholders' Meeting to be held on 4 July 2017.
(3) Appointment of whom will be proposed at the General Shareholders' Meeting to be held on 4 July 2017.

Upon conclusion of the General Shareholders' Meeting to be held on 4 July 2017 to act on the proposed appointments and ratifications (see page [·]), therefore, the Board of Directors, assuming approval of the resolutions relating to such ratifications and appointments, will have fourteen members, seven of whom or which will be independent (50%).

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 for the most part 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

Internal Rules

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 operation at least once a year and implement a formal assessment every three years.

Every year, the Board conducts a formal assessment of its functioning and of the Committees' functioning 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

At the beginning of his or her mandate, 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 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 matters 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 (the "EC&S 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 29 April 2014, it appointed an *ad hoc* Committee of Independent Directors in order to conduct the review of the offer received from General Electric in the context of the sale of the Energy business.

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 Internet site (www.alstom.com, section "Corporate governance").

Activity report of the Board for fiscal year 2016/17

The Board of Directors met six times during the fiscal year (eleven times during the previous fiscal year). The attendance rate was 92% (93% 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 2015/16, the consolidated accounts for the first half of the fiscal year 2016/17, 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 2016, the Board of Directors discussed and approved the description of the main risks faced by the Group that were included in the Company's 2015/16 Registration Document.

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 2015/16 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 2016, 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 2015/16 fiscal year. The Board of Directors also set the objectives for the determination of his variable remuneration for fiscal year 2016/17 as well as his annual fixed remuneration.

The Board reviewed the reasons for the negative vote by shareholders at the General Shareholders' Meeting held on 5 July 2016 on the resolution relating to aspects of the remuneration of Mr Patrick Kron, the Company's Chairman and Chief Executive Officer until 31 January 2016. After analysing the reasons for such negative vote and on the recommendation of the Nominations and Remuneration Committee, the Board issued a press release on 9 November 2016 pursuant to which it was stated that there was no further action to be taken in relation with the negative opinion expressed on 5 July 2016 regarding the situation of Mr Patrick Kron.

At a meeting of the Board of Directors held in Berlin more detailed presentations were made on changes in the transport business. This meeting was preceded by a visit to the InnoTrans trade show, the leading trade fair for rail transportation engineering that occurs every two years in Berlin.

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 Alan Thomson and Mr Pascal Colombani 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.

Based on the Nominations and Remuneration Committee's proposal, the Board of Directors approved a plan to distribute free shares without a performance condition for all of the Group's employees subject to the sole condition of being present with the Company for two years from the date of grant.

Every year, the Board of Directors completes an evaluation of its composition and functioning in accordance with Article 9 of the AFEP-MEDEF Code. The Board decided that, for the 2016/17 fiscal year it would have an overall and formalized evaluation conducted by an external firm, a summary of the conclusions of which is set forth on page [·].

The Board had held a meeting without the Chairman and Chief Executive Officer the principal purpose of which, among other things, is to evaluate his performance. It also discussed and, on the recommendation of the Nominations and Remuneration Committee, acted on a succession plan for the Chairman and Chief Executive Officer in the event of inability to serve.

As a general matter, following the sale of the Energy business to General Electric during fiscal year 2016/17, the Board continued to pay special attention to reviewing the Group's strategy and reviewing prospects and opportunities for the Group's growth.

The Lead Director presented a summary report at the meeting held on 3 May 2017.

During the fiscal year, the Board of Directors also:

- adopted the resolutions and the documents required by law concerning the annual Shareholders' General Meeting including the matters relating to the remuneration of the Chairman and Chief Executive Officer, which were submitted to a shareholders' advisory vote;
- 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;
- evaluated the Chairman and Chief Executive Officer's performance during its annual meeting in March.

The Committees' Chairmen 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 Director: activity report during fiscal year 2016/17

The Lead Director took office on 30 June 2015 and, since that date, chairs the Nominations and Remuneration Committee. He participated in all of the Board of Directors meetings and chaired all of the Nominations and Remuneration Committee's meetings.

Over the course of the 2016/17 fiscal year:

- as Chairman of the Nominations and Remuneration Committee, the Lead Director led the discussions on the composition of the Board of Directors as well as discussion of the succession plan for the Chairman and Chief Executive Officer;
- the Lead Director chaired the Annual Meeting of Non-Executive Directors held to evaluate the performances of the Chairman and Chief Executive Officer;
- 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. He made himself available to Directors and entertained discussions on a regular basis with those who required it;
- the Lead Director submitted a report of his work to the Board of Directors at its meeting dated 3 May 2017.

Audit Committee

The Audit Committee, formed in 1998, currently has three members: Ms Géraldine Picaud, Chairwoman of the Audit Committee following the departure of Mr Alan Thomson on 8 November 2016, Ms Sylvie Rucar (following the departure of Mr Pascal Colombani), and Mr Philippe Marien.

It has two members out of three who are independent, including its Chairman, which corresponds to 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 2016/17

The Audit Committee met five times during fiscal year 2016/17 (four times during fiscal year 2015/16). The attendance level was 100% (95% for previous fiscal year).

The Chief Financial Officer, the Vice President of Internal Audit, the Group Controller and the representative of the two independent audit firms were in attendance at all five meetings, the Group General Counsel having attended three of them. 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 Director for 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 2016 as well as the half-year consolidated accounts as of 30 September 2016 (financial statements, notes and management or activity reports) in May and November 2016 respectively. In May 2016, the Committee also reviewed the Registration Document (for the fiscal year ended 31 March 2016 prior to its filing with the French Financial Markets Authority *(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 2016, 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 2017.

During the same meeting in September 2017, the Chief Information Officer presented a status report to the Committee on issues relating to security for computer and information systems as well as a status report on the process for separating computer and information assets between General Electric and Alstom.

In May 2017, 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 2016 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 2016/17. 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

The Nominations and Remuneration Committee, formed in 1998, is currently composed of five members: Mr Gérard Hauser, Chairman of the Committee, Ms Candace K. Beinecke, Mr Yann Delabrière (who replaced Mr Olivier Bouygues as of 17 March 2017), Mr Klaus Mangold and Ms Sylvie Rucar (who is also a member of the Audit Committee).

Four 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 Remuneration Committees.

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 their 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 Nominations and Remuneration Committee decides whether it will define, upon proposal of the Chief Executive Officer, the compensation and benefits of all or some of the members of the Executive Committee, including the principles and criteria used for their annual performance evaluation, in particular those for determining the variable part of their remuneration, or whether it will simply be informed of these.

The Nominations and Remuneration Committee also develops and recommends to the Board for its approval, a formal process for evaluating the functioning of the Board of Directors and its Committees to be implemented at least every three years and, outside of the presence of the Directors concerned, prepares the annual performance evaluation of the Chairman of the Board and of the Company's Executive Directors based on the principles applied to other Senior Corporate Executives of the Group.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning.

The Nominations and Remuneration Committee reviews any other matter that the Committee or the Board deems necessary or appropriate.

Activity report of the Nominations and Remuneration Committee for fiscal year 2016/17

The Nominations and Remuneration Committee met five times during fiscal year 2016/17 (five times during the previous fiscal year) and the Members' attendance rate at these meetings was 88% (84% for fiscal year 2015/16).

The Committee approved the variable remuneration for the Chairman and Chief Executive Officer for fiscal year 2015/16 and made proposals to the Board relating to the structure of his variable remuneration in respect of fiscal year 2016/17. It was also informed about compensation for members of the Executive Committee, which it also approved.

The Committee reviewed the draft resolutions and Board of Directors' report concerning the advisory vote of shareholders on the remuneration of the Chairman and Chief Executive Officer presented at the General Shareholders' Meeting held on 5 July 2016.

Following the negative vote by the shareholders at the General Shareholders' Meeting on 5 July 2016 on the resolution relating to the remuneration of Mr Patrick Kron, the Company's Chairman and Chief Executive Officer until 31 January 2016, the Committee analysed the reasons and made recommendations to the Board of Directors about the steps to be taken following such negative advisory vote.

The Committee analysed the plan, named "We are Alstom 2016", to grant free shares to Group employees under a two-year presence condition from the date of grant and the plan, named "Performance Shares Plan 2017", to grant free shares under performance conditions and recommended their approval by the Board. It also initiated a study on the possibility of adopting an employee share purchase scheme during fiscal year 2017/18.

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 rules linked to law and regulations and to the departure of Mr Alan Thomson and Mr Pascal Colombani.

The Committee also made recommendations to the Board on the succession plan for the Chairman and Chief Executive Officer in the event of inability to serve.

The Committee approved freezing the supplemental defined benefit pension plan (Article 39) for the Chairman and Chief Executive Officer and its substitution by a defined contribution pension plan (Article 82).

After each meeting, the Committee submitted a report of its work to the Board of Directors.

The Ethics, Compliance and Sustainability Committee

The EC&S Committee, created on 28 September 2010, consists of three members: Ms Sylvie Kandé de Beaupuy, Chairwoman of the Committee, Ms Bi Yong Chungunco and Mr Gérard Hauser (also Chairman of the Nominations and Remuneration Committee). The Board of Directors appointed Ms Sylvie Kandé de Beaupuy to chair the Committee, succeeding Mr Pascal Colombani. Ms Bi Yong Chungunco joined the Committee in July 2014 and Mr Gérard Hauser in March 2017.

All three members of the Committee are independent.

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 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 2016/17

The EC&S Committee met three times during fiscal year 2016/17 (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 2016/17;
- the status of implementation of the Alstom Integrity Programme, including the Code of Ethics, the Group Instruction on training and sensitization efforts, and the increase and implementation of the resources of the Ethics & Compliance team;
- the results of the Yearly Integrity Review during fiscal year 2015/16. The objective was to measure the efforts made by approximately 400 Senior Managers of Alstom to implement the Alstom Integrity Programme within the Group;
- the review of the second 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 significant 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 and the approach to sustainable development;
- The deployment of activities in countries and the implementation of sustainability programs at local level (project);
- The reduction targets for the energy consumed by solutions and operations and the actions taken in the context of the United Nations Conference on Climate change, COP22;
- The integration of sustainability aspects in products and innovation.

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 2015/16 and the "Sustainable Development" section of the Registration Document 2015/16, which includes the Board's report on social and environmental information and provides 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.

In accordance with the terms of the AFEP-MEDEF Code, the review and assessment of the functioning of the Board and its Committees are entrusted to external consultants, every three years, selected by the Nominations and Remuneration Committee. For fiscal year 2016/17, the Board of Directors decided to conduct a comprehensive and formal evaluation, entrusted to an external firm, which was presented to the Board on 17 March 2017. It took note of the recommendations set forth in the appraisal. In this connection, several significant improvements were noted. Areas of improvement were suggested. In a spirit of continuous improvement, a plan of action will be adopted on the areas for improvement found.

Remuneration of Executive and Non-Executive Directors *(mandataires sociaux)*

As of 31 March 2017, Alstom's Executive and Non-Executive Directors are the thirteen members of the Board. The Chairman and Chief Executive Officer, Mr Henri Poupart-Lafarge, is currently the only Executive Director of ALSTOM.

The information presented below also constitutes the elements of the Board of Directors' report to the Shareholders' Meeting referred to in Article L. 225-102-1 (relating to remuneration of Executive and Non-Executive Directors), Article L. 225-37 (relating to the principles and criteria for the determination, distribution, and granting of base, variable, and exceptional items constituting total remuneration and benefits of any kind to be granted to executive officers), and Article L. 225-185 and L. 225-197-1 of the French Commercial Code (related to retention obligations applicable to stock options and performance shares).

The principles and rules set by the Board of Directors for the determination of executive officers' compensation and benefits of any kind are as set out below.

At the General Shareholders' Meeting held on 5 July 2016, the shareholders approved by a majority of 97.12% the elements of the compensation due or attributed to Mr Henri Poupart-Lafarge for the 2015/16 fiscal year which were submitted to the advisory vote of the General Shareholders' Meeting in accordance with the AFEP-MEDEF Code.

Report on 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 executive officers

The information set forth below constitutes the policy and strategy for compensating executive officers as prepared in accordance with Article L. 225-37-2 of the French Commercial Code. This strategy sets for the criteria for determining, distributing, and granting fixed, variable, and exceptional items constituting the total compensation and fringe benefits of any kind to be granted to executive officers of ALSTOM. In accordance with Article 227-37-2 of the French Commercial Code, the principles and criteria set forth in this report will be submitted for approval at the General Shareholders' Meeting to be held on 4 July 2017 in connection with a specific resolution.

DURING THE MANDATE

The remuneration of the Chairman and Chief Executive Officer is fixed by the Board of Directors upon the Nominations and Remuneration Committee's proposal and comprised of a fixed part and of a variable part linked to the performance of the company. Such remuneration is supplemented by a grant of performance shares, delivery of which is entirely conditioned on the Group's performance. The Board of Directors thus ensures maintenance of a balance among such three components and a preponderance of items directly linked to the Group's performance.

All of the potential or acquired elements of compensation are made public after the Board meeting during which they were determined.

The remuneration policy and all the components of the Chairman and Chief Executive Officer's remuneration as well as the supplemental retirement schemes, are reviewed annually by the Nominations and Remuneration Committee and the Board of Directors based, in particular, on analysis prepared by independent consultants that assist the Board in developing a better understanding of market practices.

These analyses offer a comparison of the level and the structure of the remuneration paid to an executive officer with that of other companies of a similar size of the CAC 40 and SBF 120 (level and evolution of the remuneration, respective ratio of each of the components of the remuneration) and of international companies operating in similar sectors.

The remuneration policy is then defined in such a way as to take into account the interest and the strategy of the company, its performance and the evolution of the Executive Director's remuneration over several years. It is consistent with the remuneration policy applicable to all of the executive managers of the Group.

Fixed remuneration

As recommended by the AFEP-MEDEF Corporate Governance code, the Chairman and Chief Executive Officer's fixed remuneration is determined for a period of several years taking into consideration the level and difficulty of his or her responsibilities, experience in the position, prior seniority in the Group, strategy and policy found in groups or companies of comparable size.

Thus, the Chairman and Chief Executive Officer's fixed remuneration has remained unchanged since his appointment on 1 February 2016 and was renewed on identical terms for fiscal year 2017/18.

Variable remuneration

The target variable part of the Chairman and Chief Executive Officer's remuneration is set at a maximum percentage of the fixed part. It varies along with the achievement of objectives for the fiscal year predetermined by the Board of Directors upon proposal of the Nominations and Remuneration Committee. In the event of over performance, this target percentage can be surpassed up to a limit set by the Board.

Such objectives consist of quantitative objectives linked to the Group's overall performance and of qualitative objectives. The quantitative objectives are based on four performance criteria, adjusted EBIT, free cash flow, margin on orders received and injury frequency rate, as defined on page [·] of this present document. The criteria for determining quantitative objectives are established for several years and are subject to review by the Board on the basis of changes in the company's strategy. The expected level of each of such criteria is determined by the Board each year. Specific qualitative objectives linked to achievement of personal objectives are reviewed each year and established on the basis of the strategic priorities defined for the Group.

Thus, target annual variable remuneration is 100% of fixed annual remuneration and may vary in a range from 0% to 170%. The target objective of 100% is divided 60% for quantitative objectives (which may vary in a range from 0% to 120%) and 40% for qualitative objectives (which may vary within a range from 0% to 50%).

The rate of achieving these objectives and the amount of the variable remuneration 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.

Beginning with fiscal year 2017/18 and in accordance with Article L. 225-37-2 of the French Commercial Code, payment of such variable compensation is conditioned on approval by the Company's shareholders on the terms and conditions set forth in Article L. 225-100 of the French Commercial Code.

Remuneration by performance shares

The main characteristics of the allocation policy applied to the Chairman and Chief Executive Officer comply with the recommendations of the AFEP-MEDEF Code (with the exception of the acquisition requirement, as indicated below) and are the following:

- frequency: Yes, allocation made annually, subject to exception, for the same period;
- performance requirements: Yes. Since fiscal year 2015/16, 70% of the shares are allocated subject to the satisfaction of internal Group performance conditions over the course of three fiscal years following the grant date (see hereafter) and 30% are allocated based on external performance conditions assessed at the end of the third year;
- limits applicable to the allocation: Yes (see hereafter);
- holding requirement: Yes, stricter requirements applied during fiscal year 2013/14 (see hereafter) and restated in connection with the appointment of Mr Henri Poupart-Lafarge;
- acquisition requirement associated with the grant of performance shares: No, eliminated during fiscal year 2013/14 as a result of implementing stricter holding requirements on the Chairman and Chief Executive Officer (see hereafter);
- use of hedging instruments prohibited: Yes;
- periods during which the sale of shares is prohibited: Yes.

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 remuneration 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. To these general characteristics shall be added the specific limitations or obligations fixed by the Board of Directors in compliance with the applicable regulations and recommendations of the AFEP-MEDEF Code on the remuneration of executive officers.

The Board of Directors, at its meeting held on 17 March 2017, reiterated the following principles regarding grants to Executive Officers based of the AFEP-MEDEF Code:

- the IFRS 2 value of any allocation shall not be higher than one year of fixed and target variable remuneration which corresponds to the remuneration obtained when accomplishments are strictly compliant with set objectives;
- the aggregate amount of annual allocations granted to Executive 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 total grants under the relevant plan.

In accordance with law and the AFEP-MEDEF Code, since 2007 the Board of Directors also sets, for each allocation, the number of shares that the 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 granted to him during the entire term of his or her office.

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 a value of three years of his last annual gross fixed remuneration. The calculation will be made while taking into account the market price of the share at the time the performance shares are definitively granted.

The Board of Directors, at its meeting held on 1 October 2013, after hearing the recommendations of the Nomination and Remuneration Committee, decided, furthermore, that, given the new holding and retention requirements set, there was no longer any need for the Chairman and Chief Executive Officer to acquire a set quantity of Company shares when performance shares become available, as recommended under the terms of the AFEP-MEDEF Code.

Moreover, in accordance with applicable law and regulations, the Group's internal good conduct rules designed to prevent market abuses prohibit undertaking transactions involving the Company's securities during 30 calendar days preceding public disclosure of Alstom's first six-months and annual results (reduced to 15 calendar days with respect to quarterly results) and up to the second trading day included after the date when this information has been disclosed to the public. During periods where trading is not prohibited, these internal rules create an obligation to consult the Compliance Officer, in case of doubt on the ability to trade prior to any such transaction.

In accordance with the terms of the AFEP-MEDEF Code, in March 2017 Mr Henri Poupart-Lafarge also confirmed his commitment, applicable during the full length of his term of office, to refrain from using hedging instruments on the performance shares granted by the Company. To the Company's knowledge, no hedging instrument has been set up.

The Company's policy is not to grant stock options.

Exceptional and/or multi-year remuneration

Except for specific circumstances, the Company's policy is not to grant exceptional conditional remuneration. Such a grant would be subject to a prior approval of a General Shareholders' Meeting.

Alstom's policy is not to grant conditional multi-year cash remuneration, unless the evolution of the law would make the use of long term incentives under performance shares unfavourable.

Directors' fees

The Chairman and Chief Executive Officer does not receive a Director's fee as a member of the Company's Board of Directors. The Chairman and Chief Executive Officer does not serve as a Director of a Group company, and if such were the case, he or she would not receive a Director's fee in this respect.

Pension

The Chairman and Chief Executive Officer benefits from supplemental defined contributions and defined benefits pension plans. Contributions granted under such plans remaining unvested for the minimum duration of the mandate, the characteristics of such plans are presented in the below "After the mandate" section.

Benefit in kind

The Chairman and Chief Executive Officer is entitled to a Company vehicle as well as supplemental health insurance and life and disability insurance coverage. The Chairman and Chief Executive Officer is not entitled to any other fringe benefit of any kind.

AFTER THE MANDATE

Non-competition obligation

The Company's policy is not to enter into a non-competition undertaking with respect to the Chairman and Chief Executive Officer.

Compensation in performance shares

In the event of a forced departure, the Chairman and Chief Executive Officer could not keep rights to performance shares granted in the context of his mandate during the last two plans and not yet fully vested.

Severance indemnity

The Chairman and Chief Executive Officer is entitled to receive a severance indemnity subject to the procedure regulated agreements and commitments the terms of which are set forth on page [·] of this Reference Document. The severance indemnity was approved at the General Shareholders' Meeting held on 5 July 2016 under regulated agreements and commitments procedure.

Retirement plan

The Chairman and Chief Executive Officer is entitled to a supplemental pension scheme.

This scheme is based on a defined contributions pension plan "Article 83" and a defined contributions plans "Article 82" from the French General Taxes Code. A defined benefit plan implemented back on 1 January 2004 has been frozen on 31 December 2016 and no further rights shall be accrued under this plan.

These retirement benefits are subject to the regulated agreements and commitments procedure, the terms of which are set forth on page [·] of this Reference Document. The retirement plan, as amended by the Board of Directors at its meeting of 8 November 2016, will be submitted to the shareholders for approval under the regulated agreements and commitments agreements at the General Shareholders' Meeting to be held on 4 July 2017.

Remuneration due or granted to Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer, for fiscal year 2016/17

Pursuant to the recommendations of the AFEP-MEDEF Code, the components of remuneration due or granted to the Chairman and Chief Executive Officer in respect of fiscal year 2016/17 are being submitted to the shareholders on an advisory basis at the General Shareholders' Meeting to be held on 4 July 2017 in connection with a specific resolution.

Fixed remuneration

For fiscal year 2016/17 Mr Henri Poupart-Lafarge's total fixed remuneration was €750,000, unchanged from the previous fiscal year (prorated), in accordance with commitments made by the Board of Directors on 28 January 2016.

Variable remuneration

At its meeting on 10 May 2016, the Board of Directors, acting on the recommendation of the Nominations and Remuneration Committee, decided that Mr Henri Poupart-Lafarge's target variable remuneration would be equal to 100% of his annual fixed remuneration and could vary within a range from 0% to 170% thereof and consisting of two parts:

- one portion linked to quantitative objectives of the company that can vary go from 0% to 120%, with a target of 60%;
- one portion linked to individual qualitative objectives that can vary from 0% to 50%, with a target of 40%.

At its meeting held on 3 May 2017 and acting upon the recommendation of the Nominations and Remuneration Committee, the Board of Directors found that:

- with respect to quantitative objectives, based on four performance criteria all measured over a full year:
  - free cash flow,
  - adjusted EBIT,
  - gross margin on orders received,
  - lost time injury frequency rate,

  the level of achievement should be evaluated at 107.7% within a range between 0% and 120%.

TABLE SUMMARIZING THE PERFORMANCE LEVEL RELATED TO QUANTITATIVE OBJECTIVES

	Target	Fiscal Year performance
QUANTITATIVE OBJECTIVES	**60%**	
Free Cash Flow	20%	€182 million
Adjusted EBIT	25%	€421 million
Margin on orders received	10%	Not disclosed
Lost time injury frequency rate	5%	1.4 accidents per million worked hours
YEARLY PERFORMANCE	**107.7%**	

- with respect to qualitative objectives (implementation of Alstom's organisation and governance after completion of the transaction with General Electric, implementation of the Group's strategy, Sales performance, Operational and financial performance, Alstom's image), the level of achievement should be evaluated at 36% for a target of 40% within a range between 0% and 50%.

TABLE SUMMARIZING THE PERFORMANCE LEVEL RELATED TO QUALITATIVE OBJECTIVES

	Target	Comments
QUALITATIVE OBJECTIVES	**40%**	
Organisation and governance of new Alstom	5%	In terms of organisation and governance, the Board has noted that Mr Henri Poupart-Lafarge had: • taken in charge the necessary evolutions of the Board itself with regard to its composition and ways of working; • successfully implemented the new organisation and management teams after the transaction with General Electric and the refocus of Alstom on its railway activities.
Alstom strategy	10%	Regarding strategic evolution, precise orientations have been set up in the frame of the "Alstom 2020" plan and first steps have been taken. Geographical globalisation of the Group has moved forward, notably through the development of operations in India and the acquisition of Ubunye in South Africa, a company dedicated to modernisation of rolling stock. The revamping of the product portfolio and the development of "Smart Mobility" have also accelerated, in particular with the acquisition of Nomad, a British company dedicated to on-board connectivity.
Commercial performance	10%	Fiscal year 2016/17 has been a record breaking year with an order intake of over €10 billion, notably thank to the Amtrack and RER New generation projects in the USA and in France. Alstom's turnover growth has proven the ability of the Group to transform commercial performance into effective realisations.
Operational and financial performance	10%	The Board has considered that both operational and financial performances have improved through proven progress in terms of Excellence in Operations (*on Time delivery,* cost of non quality…) and financial indicators *(free cash flow, working capital…)*.
Image of Alstom	5%	The Board has considered that Alstom had regained a proven trust from the financial markets which has shown effectiveness through a significant increase of the share value between April 2016 and March 2017. It also considered that the repositioning of the Company as a worldwide railway transportation specialist was a proven fact.
YEARLY PERFORMANCE	**36%**	

The Board, therefore, decided that Mr Henri Poupart-Lafarge's variable remuneration for fiscal year 2016/17 would be set at €1,077,750, corresponding to an achievement of 143.7% of objectives.

As announced during the General Meeting of shareholders held on 5 July 2016, Mr Henri Poupart-Lafarge decided, for the first full year of his mandate, to voluntary limit this variable remuneration to 120% of his fixed remuneration, *i.e.,* €900,000.

Since 1 January 2016, the date on which he assumed the office of Chairman and Chief Executive Officer, Mr Henri Poupart-Lafarge's annual base and variable remuneration has changed as follows:

	Fiscal year 2915/16 (period from 1 February to 31 March 2016) *(in €)*	Fiscal year 2016/17 *(in €)*
Gross annual fixed remuneration	125,000 (period from 1 February to 31 March 2016)	750,000
Gross annual variable remuneration (%/base)	120,369 (period from 1 February to 31 March 2016) (97.9%)	900,000 (120%)
TOTAL	**245,369 (PERIOD FROM 1 FEBRUARY TO 31 MARCH 2016)**	**1,650,000**

Conditional grants of stock options and/or performance shares

On 17 March 2017, the Board of Directors, acting under the authority granted at the General Shareholders' Meeting held on 18 December 2015, after hearing the recommendations of the Nominations and Remuneration Committee, adopted a long-term incentive compensation plan for ALSTOM's Chairman and Chief Executive Officer in the frame of the Plan "PSP 2017" adopted on the same day.

This plan globally involves future grants of performance shares in a total amount corresponding to 0.47% of the share capital and conditions the final grant of all the shares on two internal performance conditions measured on the basis of the level of achievement of adjusted EBIT Margin and Free Cash Flow of Alstom group for fiscal years 2017/18, 2018/19, and 2019/20 and on an external performance condition evaluated on the date of release of the results of operations for fiscal year 2019/20 based on the performance of the Company's shares calculated against the performance of the STOXX® Europe TMI Industrial Engineering index.

The grant made to Mr Henri Poupart-Lafarge involves 45,000 shares. Such maximum grant, based on the ceiling in granted shares, represents 0.02% of the share capital.

Applying such conditions, the number of performance shares will be determined as follows:

	2017-18	2018-19	2019-20
KPI weight	**20%**	**25%**	**55%**
Free Cash Flow (FCF)	10%	10%	10%
Condition	Progressive delivery from 0 to total number of granted shares with FCF up to +€200 million (yearly)		
Adjusted EBIT margin (aEBIT margin)	10%	15%	15%
Condition	Progressive delivery from 0 to total number of granted shares with aEBIT margin up to 7% (yearly)		
Total Shareholder Return (TSR)	0%	0%	30%
Condition	Progressive delivery from 0 to total number of granted shares with Alstom TSR up to 5 points above Index TSR		

The minimum trigger thresholds for progressive acquisitions have been made more demanding.

The general characteristics, set forth below, comply with the corporate governance principles adopted by the Board of Directors:

- The IFRS 2 value of the grant made to the Chairman and Chief Executive Officer, *i.e.,* €887,318, is less than one year of fixed and variable remuneration of the grantee (remuneration obtained, when the achievements are strictly in line with objectives set, *i.e.,* €1,500,000).
- The Chairman and Chief Executive Officer is required to retain in registered form a number of performance shares corresponding to 50% of the performance shares that are fully and finally delivered at the end of the vesting period. The Company, furthermore, has set a target retention objective until the end of his functions representing in value three years of his last annual gross fixed remuneration. The calculation will be made by taking into consideration the share value at the time of full and final delivery of the performance shares. The retention obligation in respect of this grant may be lifted, when the total number of shares held and subject to a retention condition reaches the objective.
- The grant represents 0.9% of the total amount authorised at the General Shareholders' Meeting held on 18 December 2015 for grants of free shares in the Group (*i.e.,* less than 2.5%).

The Chairman and Chief Executive Officer also agreed not to have recourse to hedging transactions in respect of all the performance shares during the entire term of his mandate.

Benefits in kind

The Chairman and Chief Executive Officer has the use of a Company vehicle corresponding to a value of approximately €3,947 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

Until 31 December 2016 the Chairman and Chief Executive Officer was entitled to a supplemental collective retirement schemes implemented in 2004 involving a defined contribution plan (Article 83 of the French General Tax Code) and a defined benefit plan (Article 39 of the French General Tax Code). The Board of Directors, meeting on 8 November 2016, after hearing the recommendations of the Nominations and Remuneration Committee, decided to substitute the defined benefit plan with a new defined contribution plan, with the aim of reducing the annual cost borne by the Company in respect of such plans.

The setting up of this new plan (Article 82 of the French Tax Code) aims at enabling the creation of retirement savings for the benefit of the Chairman and Chief Executive Officer which amount, at the time of his retirement, should enable the payment of an annual pension equivalent to the amount he would have been served under the defined benefit plan "Article 39", minus a discount related to the removal of the presence condition and taking into account age and duration of eligibility to the plan. Other currently eligible beneficiaries of the defined benefit "Article 39" plan, being the Executive Committee members under French contract and whose annual base salary exceeds eight times the Annual Social Security Ceilings, will benefit from an equivalent scheme. It is recalled that the defined benefit pension plan is vested only if the beneficiaries finish their career the Group and after claiming their retirement rights. Beneficiaries, who after reaching the age of 55 years, are dismissed for any reason other than an act of gross negligence, can also benefit from this scheme provided they do not exercise any other professional activities paid prior to the wind up of their pension.

As a consequence, the Board of Directors decided:

- the closure, as from 31 December 2016, of the current defined benefit plan (Article 39) and the freeze of the cumulated rights representing on the same date an annual pension of €174,000 (in constant euros) subject to a presence condition when retiring. No new rights can be acquired under this pension plan. With respect to the rights accrued over the period from 1 April to 31 December 2016, date on which the plan was frozen, the Board of Directors noted, at its meeting of 3 May 2017, that the performance conditions required were achieved, *i.e.* achievement of at least 50% of the objectives of the annual variable remuneration;
- the setting-up, as from 1 January 2017, of a new annual contribution consisting in the payment of an allowance to a dedicated external pension fund. The calculation of this annual contribution will be based on the total annual remuneration (fixed and variable) of Mr Henri Poupart-Lafarge on the following basis:
  - 10% of his fixed gross remuneration within a range of 8 and 12 Annual Social Security Ceilings and 20% of his fixed remuneration above 12 Annual Social Security Ceilings,
  - 20% of his variable annual remuneration as determined by the Board of Directors,
  - the reference remuneration (fixed and variable) for the calculation of the contribution may, in all cases, not exceed €2,000,000,
  - no contribution will be paid if the calculation of the variable remuneration is equal to zero.

The Chairman and Chief Executive Officer took the commitment, once the social and tax obligations related to these contributions are fulfilled, to hold the capital accrued on the dedicated retirement savings vehicle, at least for the duration of his term of office.

This new scheme enables, on constant assumptions, to reduce the related annual charge in the financial statements of the Company, on a full year basis, by approximately 25% (on the basis of the target remuneration).

The amount of the annuity to which the Chairman and Chief Executive Officer would be entitled under this scheme, based on his target remuneration, would be lower than the one that would have been served under the previous defined benefit plan Article 39 (which had already been capped at a maximum of eight Annual Social Security Ceilings), due to the application of a discount linked to the transition from a presence conditioned to a non-presence conditioned scheme. An amount of €71,286 has been provisioned for fiscal year 2016/17 (from 1 January to 31 March 2017) but no contribution has been paid yet.

Under the defined benefit plan, the liability recorded by the Group would allow the payment of the annuity above mentioned amounting to €5,511,000 as of 31 March 2017, including an amount of €1,067,000 in taxes applicable to supplemental retirement schemes.

The Chairman and Chief Executive Officer, furthermore, will continue to benefit, without change, from the defined contribution plan (Article 83). In this connection, the contributions are paid annually and correspond to 1% of annual remuneration up to an amount equal to four annual Social Security ceilings, 4% of annual remuneration between four and eight times the annual Social Security ceilings, and 11% of annual remuneration between eight and twelve Social Security ceilings. Since 1 July 2014, the contributions are borne up to 95% by the Company. The amounts paid under the defined contribution scheme for fiscal years 2016/17 amounted to €26,118, which amount is borne by the Company up to €24,812.

Post mandate indemnities or benefits

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 a forced departure, he could not keep rights to performance shares granted in the context of his mandate during the last two plans and not yet fully vested.

Furthermore, the Chairman and Chief Executive Office would benefit from a severance payment subject to performance conditions in the case of early termination of his social mandate. The severance payment would be equal to two years of his target remuneration, fixed and variable (to which would be applied a coefficient corresponding to the average level of attainment of targets applicable to his variable remuneration for the three years preceding his departure, capped at 100%) decreased by the value of the severance payment for which he could be eligible in case of early termination of his employment contract which has been suspended during his social mandate, *i.e.* €1,856,000. The severance payment to which the Chairman and Chief Executive Officer could be entitled under his social mandate, accordingly, could not exceed €1,144,000.

Remuneration granted during fiscal year 2017/18 to Mr Henri Poupart-Lafarge, Chairman and Chief Executive Officer

At its meeting held on 3 May 2017, the Board of Directors, on the recommendation of the Nominations and Compensation Committee, confirmed that the variable compensation scheme for Mr Henri Poupart-Lafarge for fiscal year 2017/18 would be the same as the one approved at the Board of Directors meeting held on 10 May 2016. The quantitative objectives will represent 60% of the target variable remuneration 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. The qualitative objectives will be based on criteria identical to the ones of previous fiscal year, above mentioned. For confidentiality reasons, the details of such objectives cannot be disclosed.

TABLE FOR MONITORING THE IMPLEMENTATION OF THE AFEP-MEDEF CODE WITH RESPECT TO THE REMUNERATION OF EXECUTIVE DIRECTORS

Executive Directors as of 31 March 2017	Employment contract		Additional retirement pension scheme (*)		Indemnities or benefits owed or that could be owed due to termination or a change in work duties		Indemnities associated with a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Henri Poupart-Lafarge Chairman and Chief Executive Officer	Suspended		Yes (see above)		Yes (see above)			No

(*) The additional pension plans in which the Executive Director (dirigeant mandataire social) participates are described above.

Directors' fees paid to the 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 2016/17 was €787,598 (€975,125 in the previous fiscal year). The amount due in respect of the fiscal year represented approximately 56% (€730,232) of the maximum annual amount authorised and at 51% the variable portion represented a predominant portion of the aggregate amount. Half of the fixed and variable parts were paid in fiscal year 2016/17, with the balance paid in fiscal year 2017/18.

Summary tables of the remunerations of Executive and Non-Executive Directors pursuant to AFEP-MEDEF recommendations and to the AMF position – recommendation No. 2009-16 dated 10 December 2009

The whole gross compensation and benefits of any kind paid (or due) by the Company and the companies controlled by the Company to the Executive and Non-Executive Directors pursuant to Article L. 233-16 of the French Commercial Code as requested by Article L. 225-102-1 of the French Commercial Code are contained in the Tables 2 and 3 below.

TABLE 1 – SUMMARY TABLE OF THE COMPENSATION, CONDITIONAL STOCK OPTIONS AND PERFORMANCE SHARES ACCRUING TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2017

Henri Poupart-Lafarge **Chairman and Chief Executive Officer (as from 1 February 2016)**	**Fiscal year 2015/16 (from 1 February to 31 March 2016)** *(in €)*	**Fiscal year 2016/17** *(in €)*
Compensation due in respect of the fiscal year (detailed in table 2)	245,919	1,653,947
Valuation of the performance shares awarded during the fiscal year (*)	560,746	887,318
TOTAL	**806,665**	**2,541,265**

(*) This amount corresponds to the valuation of the performance shares on the grant date of the Plan 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 (see Note 30 to the consolidated financial statements as of 31 March 2017).

TABLE 2 – SUMMARY TABLE OF THE COMPENSATION OF EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2017

	Fiscal Year 2016/17 *(in €)*	
Henri Poupart Lafarge **Chairman and Chief Executive Officer (as from 1 February 2016)**	**Due in respect of the fiscal year**	**Paid out during the fiscal year**
Fixed gross compensation	€750,000	€750,000
Variable gross compensation [(1)]	€900,000	€405,210
Extraordinary gross compensation	-	-
Directors' fees	-	-
Fringe benefits [(2)]	€3,947	€3,947
TOTAL	**1,653,947**	**1,159,157**

(1) The variable remuneration owed with respect to a given fiscal year is paid out in the following fiscal year. 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 [181].
(2) Company car.

TABLE 3 – TABLE OF NON-EXECUTIVE DIRECTOR'S FEES AND OTHER COMPENSATION AS OF 31 MARCH 2017 [(1)]

	Fiscal Year 2015/16		Fiscal Year 2016/17	
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	67,500	65,000	63,500	67,000
Olivier Bourges	5,791	-	32,332	21,958
Olivier Bouygues	74,500	68,000	60,500	71,000
Bi Yong Chungunco	64,500	61,000	57,500	64,500
Pascal Colombani [(2)]	90,500	90,500	74,417	90,000
Yann Delabrière [(3)]	-	-	-	-
Sylvie Kandé de Beaupuy [(4)]	-	-	16,167	-
Gérard Hauser	105,625	83,875	101,000	114,500
Klaus Mangold	64,500	74,500	41,333	52,916
Géraldine Picaud [(5)]	54,125	13,875	60,417	62,417
Sylvie Rucar	67,125	17,375	75,500	80,307
Alan Thomson [(6)]	89,500	86,500	51,833	89,000
Bouygues [(7)]	74,500	71,500	63,500	74,000
State [(8)]	-	-	32,233	-
Lalita D. Gupte [(9)]	50,625	71,500	-	-
Jean-Martin Folz [(10)]	26,250	88,750	-	-
Katrina Landis [(9)]	48,125	68,000	-	-
James W. Leng [(10)]	16,875	60,625	-	-
Amparo Moraleda [(10)]	13,375	54,125	-	-
TOTAL	**913,416**	**975,125**	**730,232**	**787,598**

(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 17 March 2017.
(3) Director appointed to fill vacancy on 17 March 2017 following departure of Mr Pascal Colombani.
(4) Director appointed to fill vacancy on 30 January 2017 following departure of Mr Alan Thomson and who became Chairman of the Committee for Ethics, Compliance, and Sustainability following the departure of Mr Pascal Colombani.
(5) Director who became chairman of the Audit Committee following departure of Mr Alan Thomson.
(6) Director who resigned on 8 November 2016
(7) Director the permanent representative of which is Mr Philippe Marien.
(8) Director the permanent representative of which is Mr Pascal Faure, appointed by Order dated 25 July 2016.
(9) Director until 31 December 2015.
(10) Director until 30 June 2015.

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 2016/17 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2017 BY THE COMPANY OR BY EACH COMPANY OF THE GROUP

No options were granted to Mr Henri Poupart-Lafarge during the 2016/17 fiscal year.

TABLE 5 – STOCK OPTIONS EXERCISED DURING FISCAL YEAR 2016/17 BY EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2017

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 3 May 2017, is the following:

	Number of options initially granted (1)	Number of exercisable options (1)	Unit exercise price *(in €)* (1)	Maturity date of options
Plan 2007 No. 10 (LTI No. 10)	45,974	45,974	58.73	24 September 2017
Plan 2009 No. 12 (LTI No. 12)	34,485	13,794	43.48	20 September 2017
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

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008 and 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 [205] of the Registration Document.

TABLE 6 – PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR 2016/17 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2017 BY THE COMPANY OR THE GROUP

45,000 rights to performance shares were granted to Mr Henri Poupart-Lafarge over the course of the 2016/17 fiscal year.

No share was delivered following the so-called vesting period.

The total of rights to performance shares held by Mr Henri Poupart-Lafarge as of 3 May 2017 is as follows:

Plan	Number of rights to performance shares initially granted	Number of performance shares	Valuation of the share at the time of the grant *(in €)* (1)	Date of final delivery of the shares
Plan 2013 (LTI No. 16) (2) (3)	16,950	16,950	20.02	2 October 2017
Plan 2016 (PSP 2016)	36,000 (4)	34,104 (5)	15.58 (6)	The fifth business day following the date of publication of the 2018/19 consolidated accounts
Plan 2017 (PSP 2017)	45,000 (4)	45,000	19.72 (7)	Fifth business day following the date of publication of the 2019/20 consolidated accounts

(1) 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 (see Note 23 to the consolidated financial statements as of 31 March 2017).
(2) Grant in respect of past functions.
(3) Figures adjusted to take into account the share buy-back offer carried out on 28 January 2016.
(4) Entirely conditional allocations and a portion of the shares delivered is subject to a holding requirement until the expiry of Mr Henri Poupart-Lafarge's functions and until a target shareholding level is reached.
(5) Initial grant of 36,000 rights. By application of the performance conditions relating to results of operations for fiscal year 2016/17 (see Note 23 to the consolidated financial statements at 31 March 2016), 1,896 rights to be awarded shares, *i.e.*, 5.27% of the initial grant, were cancelled, and the final award of 5,304 shares, *i.e.*, 14,73% of the initial grant is, in this respect, finally vested.
(6) 70% are valued at €19.48 and 30% at €11.78 before taking into account a discount linked to probability of presence.
(7) 70% are valued at €25.31 and 30% at €13.41 before taking into account a discount associated with the probability of presence.

TABLE 7 – PERFORMANCE SHARES THAT HAVE BECOME AVAILABLE DURING THE FISCAL YEAR FOR EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2017

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	2011 (LTI No. 14)	3,500	70%	2014

Summary table of the differences relative to the recommendations of the AFEP-MEDEF Code

Article of the AFEP-MEDEF Code	Explanations
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, the plan remains compliant with the intention behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority, and only represent each year a limited percentage of the compensation corresponding at maximum to a rate of 1.2% per year on a capped amount. In addition, vested rights under the plan were frozen during fiscal year 2016/17 and to benefit from them, only a presence condition need be met. (See paragraph "Supplemental retirement scheme" page [182].)
Article 24.3.3 **(Purchase obligation following the grant of performance shares)** The Code states, *"In addition… according to terms and conditions set by the Board and made public on their grant date, the performance shares granted to Executive Directors should be subject to the purchase of a predetermined quantity of shares whenever the granted shares have vested."*	At its meeting dated 1 October 2013, after hearing the recommendations of the Nominations and Remuneration Committee, the Board of Directors decided that given the significant amount of new applicable custody and holding requirements set at the time of the grant of LTI Plan No. 16, there was no need to require the Chairman and Chief Executive Officer to acquire a set quantity of Company shares when performance shares become available, as is recommended under the terms of the AFEP-MEDEF Code. (See the section entitled "Remuneration by performance shares", page [181].)

Participation at Shareholders' Meetings

Any shareholder has the right to participate at Shareholders' 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 [263] of the Registration Document for the 2016/17 fiscal year filed with the AMF and posted online on the Company's website.

The members of the Board of Directors are generally present at Shareholders' Meetings.

Elements that could have an impact in the event of a public take-over offer

These elements of the Board of Directors' report to the Shareholders' Meeting set forth by Article L. 225-100-3 of the French Commercial Code appear on page [277] of the Registration Document.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES' REPORT

As part of its operational activities, the Group is confronted with a number of both external and internal risks, as stated in the Risk Factors section of the Registration Document 2016/17 filed with the *Autorité des marchés financiers* ("AMF") (see page [137]).

The Group, therefore, has put in place an organisation, procedures and processes with the objective of identifying, quantifying and mitigating risks, and to assign resources to control risks in accordance with its business objectives both strategic and operational.

This part of the report was prepared with the contributions from the Internal Audit and Internal Control Department, the Finance function including the Tenders & Projects Control Department, the Information Systems and Technology Department, the Human Resources Department, the Legal & Compliance Department, the Environmental, Health & Safety Department, Sustainability team and the management team of the Research & Development Department.

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 organization 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 organized 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 until the obsolescence and end-of-life, including eco-design management.
- **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 authorizes, during the Tender Review Meeting, its submittal to the customer. For tenders deemed as strategic, a "Winning roadmap" is formalized 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 formalized 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 organized 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 organized 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 November 2015. 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" in the Risks section of the Registration Document 2015/16 filed with the AMF). 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.

Risk maps are presented to and reviewed by the Audit Committee.

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 intranet site in order to ensure large information coverage to the units.

During the July 2016 Self-assessment Questionnaire review, over 1,000 users were mobilised.

Main actors of internal control and risk 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 and the Vice President Tenders & Projects Control.

The Disclosure Committee met twice during fiscal year 2016/17 under the Chairmanship of the Chief Financial Officer.

The consolidated financial statements for the fiscal year ended 31 March 2016 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 2016 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.

Since 2008, the Internal Control function is under the supervision of the Vice President of Internal Audit to increase synergies between internal control and internal audit.

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.

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.

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.

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 240 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 have been trained on ethics and compliance since the launch of the current training cycle in 2014.

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 modernized 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. "Design Authority," "Operations" and "CIO Office" 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 are carried out by the Shared Services Centre which was taken over by General Electric. These services are 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 will provide Alstom with a fully autonomous systems and IT structure by the end of 2017.

Management of specific risks

Risks in relation to contracts

The Regions project reviews must be held and reported every three months for contracts which could have a major effect on the relevant unit's financial performance, or every six months in other circumstances.

In particular, the Management of each Region concerned must be informed regarding:

- any important changes occurring after tender submission regarding tender assumptions and of the related impact on the assessment of relevant risks;
- material changes within project execution which could impinge significantly on the project result.

The risk review procedures on tenders include a checklist of major risk elements to be systematically addressed. These elements include in particular, but are not limited to: customer profile, project contractual organisation and partnership, supplier/subcontracting risk, technical & technology risk, costs solidity, project schedule, contract terms & conditions, payment security, bank guarantees, foreign exchange exposure, country risk, tax aspects, bid financials (selling price, margins, risks & opportunities, provisions, project cash profile, etc.).

The implementation of the procedures and the formalisation of the review and approvals are supported by a specific reporting and validation tool.

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 2017.

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;
- 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 holds half-yearly meetings to monitor the schemes' evolution.

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 2016/17 filed with the AMF.

The Corporate Legal Department includes the following Departments: (i) Ethics and Compliance (ii) General Counsel on Governance, Finance Law, and Securities Law, (iii) General Counsel for Mergers & Acquisitions, Disputes, and Competition, (iv) General Counsel for Transactions and Transformation, and (v) General Counsel for 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 the Ethics & Compliance and the actions taken to mitigate the risks of illicit practices, please refer to the sections entitled "Corporate Governance – Chairman of the Board of Directors' Report – Report on the internal control and risk management procedures – 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 Registration Document 2016/17 filed with the AMF.

Risks in relation 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 specialized assessors regularly perform audits and self-evaluation of fire prevention and natural disasters. During the fiscal year 2016/17, 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 2016/17, 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 associates 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 2016/17 taking into account the evolution of climatic data and its activity permiter as detailed on page [·].

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 ordering 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 in relation 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.

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 2017.

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 2017.

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.

Saint-Ouen, 3 May 2017
The Chairman of the Board of Directors

EXECUTIVE **COMMITTEE**

COMPOSITION

The Executive Committee, is composed of the following persons on 3 May 2017:

	Main Function	Serving on Executive Committee since	Age
Henri Poupart-Lafarge	Member of the Executive Committee and Chairman and Chief Executive Officer and Member of the Executive Committee	October 2004	48
Thierry Best	Chief Operating Officer	November 2015	57
Pascal Cléré	Senior Vice President – Alstom Digital Mobility	November 2015	58
Marie-José Donsion	Chief Finance Officer	November 2015	45
Pierrick Le Goff	General Counsel	November 2015	50
Theirry Parmentier (1)	Senior Vice President – Human Resources	April 2017	52
Gian-Luca Erbacci	Senior Vice President – Middle East and Africa	November 2015	55
Jean-Baptiste Evméoud	Senior Vice President – France	November 2015	49
Andreas Knitter	Senior Vice President – Europe	November 2015	52
Michel Boccaccio	Senior Vice-President – South America	November 2015	56
Jean-François Beaudoin (2)	Senior Vice President – Asia Pacific	July 2016	39
Jérôme Wallut	Senior Vice President – North America	November 2015	53

(1) Thierry Parmentier replaced Mathias Klemptner on 18 April 2017.
(2) Jean-François Beaudoin replaced Dominique Pouliquen on [1] July 2016.

The Executive Committee, composed as described above, met twelve times over the course of the 2016/17 fiscal year.

COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The financial elements accounted for in the 2016/17 fiscal year and corresponding to the remuneration and benefits granted to members of the Executive Committee are described in Note 36 to the Consolidated Financial Statements for the 2016/17 fiscal year.

The compensation of the Executive Committee members, *i.e.*, 11 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 2016/17, the variable compensation is tied, on the one hand, to meeting quantitative objectives in terms of adjusted EBIT, free cash flow, margin on orders received, and lost time injury frequency rate and, on the other hand, to reaching specific individual objectives. All members of the Executive Committee share the same quantitative objectives, irrespective of Region or Function. These objectives represent 60% of the variable remuneration target for each Committee member, with the possibility of variation within a range of 0% to 120%. The specific individual objectives refer to the priority actions 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 attainment of objectives linked to variable remuneration 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. Based on the evolution of the composition of the Executive Committee on November 2015, the Chairman and Chief Executive Officer has proposed that the target percentage of the variable remuneration shall be aligned progressively with market practices. It was at a level of 40% for fiscal year 2016/17 and will reach a target level of 50% for fiscal year 2017/18.

The overall amount of the gross compensation paid from 1 April 2016 to 31 March 2017 to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer's whose remuneration is set forth on page [179], 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 €4,264,833.

The fixed component, for the fiscal year involved represented €3,313,414 and the variable component linked to the results of fiscal year 2015/16 (period from 1 November 2015 to 31 March 2016) represented €951,419, excluding the Chairman and Chief Executive Officer.

Some members of the Executive Committee benefit from supplementary retirement schemes (defined contribution plan and/or defined benefit plan). The total amount of the defined benefit obligation accounted for the members of the Executive Committee (excluding the Chairman and Chief Executive Officer) was €1,520,183 as of 31 March 2017, 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 €221,723.

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF ALSTOM

(For the year ended 31 March 2017)

This is a free translation into English of the Statutory Auditors' report issued in the French language 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,

In our capacity as Statutory Auditors of Alstom, and in accordance with article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the French Commercial Code for the year ended 31 March 2017.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

Professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control and risk management procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, 4 May 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Édouard Demarcq	Cédric Haaser

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, PSP 2017 was granted on 17 March 2017. 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 plan granted on 17 March 2017 (PSP 2017) involves a number of performance shares corresponding to 0.47% 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 Chairman's report (see page [181]).

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, the vesting of all 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.
- 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 (see below).

For all beneficiaries, the shares are allocated following an acquisition period of around three years following the date upon which the Board of Directors granted the rights, subject to satisfying internal performance conditions linked to the Company and, since 2016, an external performance condition based on the performance of the Alstom's share price. For the plan PSP 2017, this period is three years long for all beneficiaries. These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

The definitive allocation is also subject to conditions of continued employment within the Group, save 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 2016/17

The total number of options that could be exercised according to the outstanding plans corresponds to 2.17% of the share capital as of 31 March 2017. The main characteristics of all stocks option plans implemented by the Company and outstanding as of 31 March 2016 are summarised below. No other company of the Group has implemented stocks option plans giving right to the Company's shares.

	Plan No. 10 included in plan LTI No. 10 (conditional options)	Plan No. 12 included in plan LTI No. 12 (conditional options)	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	26 June 2007	26 June 2007	22 June 2010	22 June 2010	22 June 2010	2 July 2013
Date of Board meeting	25 Sept. 2007	21 Sept. 2009	13 Dec. 2010	4 Oct. 2011	6 Nov. 2012	1 Oct. 2013
Initial exercise price (1) (2)	€67.50	€49.98	€33.14	€26.39	€27.70	€26.94
Adjusted post-OPRA exercise price (2)	€58.73	€43.48	€28.83	€22.96	€24.10	€23.44
Beginning of stock options exercise period	25 Sept. 2010	21 Sept. 2012	13 Dec. 2013	4 Oct. 2014	10 Dec. 2015	3 Oct. 2016
Expiry date	24 Sept. 2017	20 Sept. 2017	12 Dec. 2018	3 Oct. 2019	9 Dec. 2020	30 Sept. 2021
Number of beneficiaries	1,196	436	528	514	538	292
Total number of options (adjusted if any) (2)	1,950,639	1,001,612 (4)	1,419,767 (5)	1,573,723 (6)	1,508,777 (7)	771,997
Total number of exercised options (adjusted) (2)	1,150	-	-	246,790	134,894	107,480
Total number of cancelled options (2)	344,237	653,449	467,740	637,317	805,502	70,555
Number of remaining options to be exercised as of 31 March 2017 (2)	1,605,252	348,163	952,027	689,616	568,381	593,962
Percentage of capital as of 31 March 2017 that may be created	0.731%	0.158%	0.433%	0.314%	0.259%	0.270%
Number of shares that may be subscribed as of 31 March 2017 by members of the Executive Committee (2) (3)	62,643	21,568	85,391	56,957	48,111	70,688
of which number of shares that may be subscribed by Mr Henri Poupart-Lafarge as of 31 March 2017	45,974	13,794	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 10 was adjusted in order to take into account the two for one split in the par value of the share from €14 to €7 carried out on 7 July 2008. The stock options 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 2017 and not to those who were members of such Committee at the time of the grant.
(4) 60% of the stock options initially granted under LTI Plan 12 were cancelled based on the application of the performance condition linked to the results of the 2011/12 fiscal year (please refer to Note 22 to the consolidated financial statements for the 2013/14 fiscal year).
(5) 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.
(6) 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 (please refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year).
(7) 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 (please refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year).

TERMS OF EXERCISE/PERFORMANCE CONDITIONS [8] [9]

Plan No. 10 included in plan LTI No. 10 (conditional options)	Plan No. 12 included in plan LTI No. 12 (conditional options)	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)
• 100% of options can be exercised from 25 September 2010 if the 2009/10 Group operating margin (the "2009/10 Margin") is equal or above 8.5%. • 80% of options can be exercised if the 2009/10 Margin is between 8% (included) and 8.5% (excluded). • 40% of options can be exercised if the 2009/10 Margin is between 7.5% (included) and 8% (excluded). • No option can be exercised if the 2009/10 Margin is below 7.5%. **Performance condition fulfilled:** 100% of the options exercisable since 25 Sept. 2010.	• 100% of options can be exercised from 21 September 2012 if the 2011/12 Group operating margin (the "2011/12 Margin") is equal or above 8.7%. • 80% of options can be exercised if the 2011/12 Margin is between 8.2% (included) and 8.7% (excluded). • 60% of options can be exercised if the 2011/12 Margin is between 7.2% (included) and 8.2% (excluded). • 40% of options can be exercised if the 2011/12 Margin is between 6.5% (included) and 7.2% (excluded). • No option can be exercised if the 2011/12 Margin is below 6.5%. **Fulfilment of performance conditions:** 40% of the options initially granted are exercisable since 21 September 2012.	• 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%. **Fulfilment 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. **Fulfilment 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. **Fulfilment 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. **Fulfilment of performance conditions:** 100% of the options initially granted are exercisable since 3 October 2016.

(8) The exercise is also subject to the satisfaction of a condition of continued employment within the Group, unless exceptions provided under the plan.
(9) The thresholds of the operating margin for fiscal year 2011/12 referred to in LTI No. 12 have been adjusted by the Board of Directors to take into account the temporary dilutive impact of the integration of Grid (see Note 21 to the financial statements for the 2010/11 fiscal year).

Only 40% of the stock options offered under LTI plan No. 12, 80% of the stock options offered under LTI plan No. 13, 70% of the stock options offered under LTI plan No. 14 and 50% of the options offered under LTI plan No. 15 became exercisable upon application of these plans' performance conditions.

Following the completion of the transaction with General Electric, 100% of the allocation applicable under LTI plan No. 16 became exercisable.

Conditional stock options granted to Alstom's Executive and Non-Executive Directors *(mandataires sociaux)* during fiscal year 2016/17 and options exercised by them

No option was granted by the Company during fiscal year 2016/17 to Mr Henri Poupart-Lafarge, the Chairman and Chief Executive Officer and only Executive Director of Alstom. 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 any other Non-Executive Directors during the 2016/17 fiscal year.

Conditional stock options granted during fiscal year 2016/17 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 who are either Executive or Non-Executive Directors during the 2016/17 fiscal year.

Stock options exercised during fiscal year 2016/17 by the ten employees who are not Alstom' Directors and who exercised the largest number of options

As of 31 March 2017, only eight employees have exercised options.

	Number of shares subscribed(*)	Average share price(*) *(in €)*
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	50,460	€23.43

(*) Related to exercise of options of plan LTI No. 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 free performance share allocation plans outstanding as of the end of fiscal year 2016/17

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 1.34% of the share capital as of 31 March 2017 (subject to achievement of the performance conditions – please refer to Note 30 to the consolidated financial statements for fiscal year 2016/17).

	2013 plan (LTI No. 16) (performance shares)	2016 plan (PSP 2016) (performance shares)	2017 plan (PSP 2017) (performance shares)
Date of Shareholders' Meeting	2 July 2013	18 December 2015	18 December 2015
Date of Board meeting	1 October 2013	17 March 2016	17 March 2016
Initial number of beneficiaries	1,814	737	755
Initial number of rights entitling their holders to an allocation of shares (5)	1,130,791	957,975 (4)	1,022,400
Definitively granted shares (adjusted) (5)	2,147	-	-
Adjusted number of remaining rights as of 31 March 2017 entitling their holders to an allocation of shares	1,024,458	903,150	1,022,400
Final delivery of the shares (subject to performance conditions)	2 October 2017	The fifth business day following the date on which the consolidated financial statements for FY 2018/19 are published (or in May 2019)	The fifth business day following the date on which the consolidated financial statements for FY 2019/20 are published (or in May 2020)

	2013 plan (LTI No. 16) (performance shares)	2016 plan (PSP 2016) (performance shares)	2017 plan (PSP 2017) (performance shares)
Percentage of capital that may be created (calculated on the capital as of 31 March 2017) (5)	0.466%	0.411%	0;465%
Number of shares as of 31 March 2017 that may be delivered to members of the Executive Committee (1) (3) (5)	52,545	168,000	187,500
Performance conditions (2)	• The percentage of shares to be delivered will vary according to the levels of the Alstom group's operating margin for the 2014/15 and 2015/16 fiscal years (the "Margins") while requiring an amount of Free Cash Flow ("FCF") higher than or equal to zero for each fiscal year. • 100% of the shares can be delivered if the Margins are equal to or higher than predetermined levels and the free cash flow for each fiscal year is equal to or higher than 0. • No share can be delivered if the Margins are lower than 7.2 for 2014/15 or 7.4% for 2015/16 or the free cash flows are negative. **Satisfaction of the conditions:** 100% of the initially granted shares will be delivered as the result of the completion of the transaction with General Electric.	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 2016/2017, 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. 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.	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 2019/2020. 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.
Shares retention period	None (3)	None (3)	None (3)

(1) Refers to the Executive Committee as of 31 March 2017. 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 Chairman's report (see page [181]).
(2) Final allocations are also contingent upon attendance requirements 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 [201] for the other members of the Executive Committee).
(4) Following the end of fiscal year 2016/17, [5.27]% of the rights initially granted under PSP 2016 were cancelled upon application of the performance conditions linked to the results of the 2016/17 fiscal year (see Note 23 to the consolidated financial statements for fiscal year 2015/16).
(5) Number revaluated to take into account the adjustment associated with the share capital reduction following the share buy-back offer (OPRA) carried out on 28 January 2016.

Under LTI plan No. 15, only 50% of the initial allocation was granted to beneficiaries in companies outside of France over the course of the 2016/17 fiscal year. Under LTI plan No. 16, 100% of the rights can vest as a result of the completion of the transaction with General Electric.

Free allocation of shares to Alstom's Executive and Non-Executive Directors *(mandataires sociaux)* during fiscal year 2016/17

Over the course of the 2016/17 fiscal year, 45,000 rights to performance shares were granted to Mr Henri Poupart-Lafarge, the Chairman and Chief Executive Officer and only Executive Director of Alstom as of 31 March 2017.

No performance shares were delivered to him over the course of the fiscal year 2016/17.

No performance shares were allocated to any other Non-Executive Directors of the Company during the 2016/17 fiscal year or under any previously implemented plans.

Free shares allocated during fiscal year 2016/17 to the ten employees who are not Alstom's Executive or Non-Executive Directors and who received the largest number of free shares

Over the course of the 2016/17 fiscal year, the ten largest allocations of rights to performance shares represented an aggregate amount of 150,000 performance shares. Moreover, under LTI plan No. 15, over the course of the fiscal year, 5,110 aggregate performance shares were definitively granted free of charge, following the expiration of the vesting period, to the ten employees (who are neither Executive nor Non-Executive Directors) who were allocated 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 thirty 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.,* 28 September 2018.

In total, approximately 27,000 persons in the Group in 16 countries were affected by this free attribution, involving a maximum of 824,400 shares, representing approximately 0.37% of the share capital on 31 March 2017. It involves new shares which will be issued upon their definitive attribution by a charge against reserves. Approximately 4,000 persons in 45 countries will receive the equivalent in cash to such 30 shares, which amount will be estimated and paid at the end of the two year period (see Note 30 to the 2016/17 Consolidated Financial Statements).

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)*	**2014**	**2015**	**2016**
Statutory employee profit sharing agreements	21.3	5.5	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 2016/17 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)*	**2014**	**2015**	**2016**
Specific employee profit sharing plans	38.3	34.5	16.3

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 2016, the French employees contributed €5.5 million to the Group Savings Plan and €2 to the PERCO savings plan. These contributions to the PERCO triggered an employer matching contribution of €1.5 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 2016/17 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 former 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 2017, the Group's employees and former employees hold 1.21% of the Company's share capital, either directly or through a fund ("FCPE") (see page [273]).

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 2016/17

As of 3 May 2017, the following transactions were registered with the AMF:

Notifying person	Financial instrument	Type of transaction	Number of transactions	Value of transactions
Bi Yong Chungunco	Shares	Acquisition	1,500	€38,543
Klaus Mangold	Shares	Acquisition	1,500	€39,066
Géraldine Picaud	Shares	Acquisition	1,800	€46,638
Yann Delabrière	Shares	Acquisition	2,000	€53,998

RELATED-PARTY AGREEMENTS AND COMMITMENTS

See the Statutory Auditors' special report to the Shareholders' Meeting to be held on 4 July 2017 (please refer to page [132]).

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
61, rue Henri-Regnault
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 2016/17

The Statutory Auditors' fees for fiscal year 2016/17 are included under Note 35 to the consolidated financial statements for fiscal year 2016/17.

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

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This section 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 22 July 2010, so-called "Grenelle II", and as per the Decree No. 2016-1138 dated 19 August 2016 related to the obligations for companies on transparency in environmental and social matters.

SUSTAINABLE DEVELOPMENT STRATEGY

A PROACTIVE POLICY OF CORPORATE SOCIAL RESPONSIBILITY

Global and local challenges bringing strategic opportunities

The world is now 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 estimate that the world's population is expected to grow from 7.1 billion to over 9.5 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)].
- Global emissions of greenhouse gases and pressure on natural resources have been growing for decades, leading to substantial climate change. The agreement concluded at COP 21 [(3)] in Paris (France) by 195 countries, which entered into force in November 2016, has confirmed the objective of keeping global warming well below +2°C compared to pre-industrial levels. Transport sector remains today powered at 93% by fossil fuels [(4)]. In order to reach the targets set in Paris agreement, it seems essential to succeed in decoupling mobility from emissions growth by favouring modes with the lowest carbon footprint, meaning high capacity and electrical transport.
- In addition, air quality has emerged as a major concern for the authorities because of its effects on public health, while over 90% of the world's population now lives in locations where pollution levels exceed the limits set by the World Health Organisation. 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.

Cities at the heart of sustainable development

- Cities account for about two-thirds of world energy consumption and 70% of CO_2 emissions from energy [(4)]. They emerge as key actors of environmental policies. The most advanced ones are starting to issue their ambitions in terms of carbon neutrality, implementation of traffic limited or low-emission zones, encouraging transition towards electrical modes and announcing bans on diesel (ex.: Paris, Madrid, Mexico, Athens) notably through networks such as the C40 Cities Climate Leadership Group.
- Over 60% of the world's population will live in urban areas by 2050 [(5)]. This pressure requires careful planning of urban areas and infrastructure to deal with collective mobility needs in densified areas. At the same time, the social gaps are likely to be accentuated, 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 it is estimated that about 20% of the working population has difficulty accessing transport [(6)], while in emerging countries this percentage can amount to as much as 80% [(7)]. Strategies to improve standards of living must encompass the improvement of service delivery, including transport systems [(8)].
- Urban congestion costs annually about 1% of GDP (Gross domestic product) in Europe [(9)] and even more in cities in emerging countries as a result of the loss of useful time and reduced productivity of the travellers. In cities well equipped with public transport and favouring soft modes, transport costs for the community can be cut by half [(10)].
- Meanwhile, the social expectations of citizens are rising: environmental quality (noise, air pollution…), well-being, continued access to public transport, connectivity, participation in decision making processes for transport planning, are emerging challenges. Whilst the car remains a strong aspiration for populations of emerging countries, urban youth from mature economies yearn as much for efficient multimodal transport services as to own a vehicle themselves. The level of development of soft modes and public transport becomes a major factor of attractivity for cities striving to develop a connected, diversified and intermodal transport offer.

(1) UN World Population Prospects: The 2015 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) IEA – Energy Technology Perspective 2016.
(5) UN World Urbanization Prospects, the 2014 Revision.
(6) Secours catholique – *La Fracture Mobilité*, 2014.
(7) International Transport Forum 2011 – Transport to Society.
(8) An overview of urbanization, internal migration, population distribution and development in the world, United Nations Population Division, 2008, p. 5.
(9) European Commission web – urban mobility section 2015.
(10) UITP.

Development of new business models

- Pushed by opportunities in relation to digitalisation, new business models are emerging that modify the balance of some business sectors with environmental and social consequences. Usage of assets and goods is becoming optimised as consumers also become service providers or suppliers. Social innovation and collaboration across communities generates collective value. Data is becoming money. By-products of one activity are recycled into raw materials for another one. Some of these models already apply to transport; others are likely to appear in the future.

Alstom's sustainable development strategy well 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 contribute to the transition towards more sustainable transport systems by designing and producing mobility solutions that are inclusive, environmentally-friendly, safe and smart.

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 about 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, maximising transport capacity in dense areas and proposing solutions ready to accommodate their future growth. These projects transform the public space, and 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 Rio de Janeiro where Alstom delivered a tramway line for the opening of the Rio Olympic Games in the summer of 2016. The city center has been extensively renovated: traffic on the streets has been significantly reduced while some streets have become pedestrian areas. Inhabitants are back in the streets which also brings positive implications for the local economic actors.
- The advantages of rail systems, the core of Alstom's portfolio, in terms of air quality, space utilisation, safety, energy efficiency and CO_2 emissions no longer need to be demonstrated. The potential of 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 projects under execution by Alstom in the Gauteng province of South Africa and in the Bihar state of India at Madhepura site.

Alstom is today expanding its offer of sustainable mobility with the consistent objective to propose solutions that are inclusive, accessible, environmentally-friendly, safe and connected. Through in-house research and development projects, technical and commercial partnerships, investments and acquisitions, Alstom intends to position itself as the global supplier of electrical, connected and shared sustainable mobility solutions.

Alstom's Corporate Social Responsibility policy contributing to the United Nations Sustainable Development Goals

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.

Alstom's Sustainable Development and Corporate Social Responsibility (CSR) policy is at the heart of its 2020 strategy. It was last updated in March 2016 in order to integrate specific sustainable development issues of the railway activity.

It is based on four main axes guided by quantified and assessed objectives:

- act as a stakeholder-oriented organisation;
- develop solutions for sustainable mobility;
- manage its operations in a responsible way;
- build a culture of diversity and integrity.

It is cascaded, throughout all Alstom's operations and wherever Alstom teams are located, through a set of action plans. This policy is described below and is available on Alstom website: www.alstom.com.

Alstom's contribution to the United Nations Sustainable Development Goals

In September 2015, 193 member States of the United Nations adopted 17 new Sustainable development goals (SDGs) aimed at ending extreme poverty, protecting the planet and ensuring prosperity for all within a new universal agenda.

Alstom supports this ambitious programme and considers that its sustainable development policy is a lever for its implementation. The Company is a signatory member of the United Nations Global Compact, bases its value system and business approach on its 10 principles and submits its Communication of progress (COP) each year. More information available on the website: www.unglobalcompact.org.

This year, Alstom has identified the main areas of its policy for which it has a direct contribution to the Sustainable development objectives in its daily activities, through its core business and initiatives. An internal reflection is underway to identify initiatives to be developed or strengthened.

Sustainable development and CSR policy	Main objectives	SDG	Examples of programmes and results	Page
Act as a stakeholder-oriented organisation: • assess customers' expectations and adapt its offering accordingly; • involve itself in the life of local communities; • be recognised as a responsible company.	• Community Action Plan for all countries of more than 200 persons. • 15-20 Alstom Foundation projects funded per year. • Tailor-made offer and customer satisfaction index at 8. • 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	
		10	Alstom Foundation with budget of €1 million/year	
		11	21 Country Community Action plans implemented	
		17	Participation in multi-stakeholder partnerships to mobilise and share knowledge, expertise, technologies and other resources in support of the SDGs	
Develop solutions for sustainable mobility: • promote electrical and shared transport; • deploy ecodesign processes ; • integrate green innovation to lead on energy efficiency in its solutions.	• Main solutions covered by ecodesign approach. • -20% energy in solutions by 2020 *versus* 2014.	9	Promotion of creativity and entrepreneurship through the annual innovation programme I NOVE YOU™.	
		11	Participation in the transition to global sustainable transport systems through the solutions portfolio Definition of environmental objectives and performance documentation for ecodesigned products	
		13	11% achieved energy consumption reduction of our portfolio (and associated CO_2 emissions) *vs* 2014	
Manage its operations in a responsible way: • ensure safety excellence with and for its employees and contractors; • continuously reduce the environmental footprint of its operations; • develop a sustainable supply-chain; • respect human rights.	• 0 occupational fatalities • IFR1 [(1)] at 1 by 2020 • -10% energy intensity in operations by 2020 *versus* 2014 • Anticipating risks of human rights violations • 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	
		8	Human rights policy and action plans under implementation to anticipate risks of human rights violations	
		12	Driving down energy and water consumption, emissions and waste. All manufacturing sites (with more than 200 employees) already certified ISO 14001 – other units in progress	
		13	Already delivered – 9% energy intensity in operations *vs* 2014 through energy saving plan targeting main consumers	
Build a culture of diversity and integrity: • enforce the highest ethical standards; • promote and implement diversity in its various forms; • develop Alstom as a great place to work.	• 25% women in managers & professionals by 2020 • 50% non-European leaders by 2020. • Zero deviation from the Code of Conduct.	5	Deploying local plans to achieve challenging targets. Proportion of women in the company raised from 18% in 2014 *to* 20% at March 2017	
		16	Strong ethics and compliance policy, rigorously applied.	

(1) Lost time injury frequency rate.

The action plans related to this policy are outlined in the sections related to "Designing sustainable mobility solutions", "Environmental performance", "Social performance" and "Relations with external stakeholders".

Materiality analysis of sustainable development issues

Alstom considers it's important that its sustainable development actions take into account the expectation of its 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…

In order to clarify these expectations and to assess the relevance of Alstom's sustainable development and CSR policy, the Company updated during fiscal year 2015/16 its materiality matrix. This evaluation aimed in particular at:

- adjusting the existing materiality matrix and identifying potentially emerging issues with a three to five years' time horizon;

- evaluating the importance of these sustainable development challenges for stakeholders and their potential impacts on Alstom performance;
- enforcing transparency and focusing its reporting efforts on the most material issues for its business;
- adjusting Alstom Sustainability and CSR 2020 strategy.

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 internal and external 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.

More details on Alstom's sustainable development materiality matrix – and the related methodology – are available on www.alstom.com.

A dedicated organisation at all levels of the Company

The implementation of Alstom's Sustainable Development and CSR policy is defined and monitored by the Sustainability team. This Department is under the responsibility of the Senior Vice President Human Resources on the one hand and of the Strategy Department 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 times a year to review and assess the Company's strategy, policies and procedures on topics related to sustainable development and CSR (see Chapter 5 "Corporate governance – Chairman's report", section "Board Committees" page 173).

The sustainable development three-year action plan is submitted and reviewed twice a year by the Company 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 Sustainability & CSR activities.

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 correspondent in connection with the central team. This network of correspondents guarantees a good understanding of local social needs and environmental challenges and is also in charge of deploying the local community action plan. The objective is to spread and share the Alstom sustainability vision within the organisation so that everyone knows and understands it, commits to it and actively participates in it.

Evaluation of the Company's sustainable development and 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 2016, Alstom was selected to be part of the Dow Jones Sustainability Index (DJSI), World and Europe for the sixth consecutive year. RobecoSAM, the rating agency, attributed the rating of 78 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 customer relationship management, innovation management, environmental policy and corporate citizenship. More information on www.alstom.com.
- Following a first evaluation in 2013, Alstom has also had, in January 2016, its sustainable development performance assessed by Ecovadis. The Company obtained the highest possible recognition, a "Gold" status, and was among the top 5% rated companies on the platform.
- 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 2016 and for the fourth year running, the Company received the Distintivo ESR – Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI) and the alliance for corporate social responsibility in Mexico (AliaRSE).
- Alstom Italy was awarded the Smart Working Award 2016 by the Smart Working Observatory (www.osservatori.net) of the Milan Polytechnic, which rewards companies who propose innovative methods of work. Alstom was distinguished for its project "Working SMART@Alstomitalia", which aims to ease the constraints of working places and schedules.

FACING CLIMATE CHANGE

Climate change is one of the biggest challenges facing the world this century. Despite the progress made, worldwide CO_2 emissions continue to grow while emissions from transport in Europe and France have started to rise again since 2014, following the development of road and air traffic [(1)].

Alstom wants to contribute to the mitigation of climate change impact risks from a business perspective and is, therefore, following closely the United Nations Framework Convention on Climate Change (UNFCCC) negotiation process through its membership of organisations such as the Sustainable Low Carbon Transport Partnership (SLoCaT). Alstom views the entry into force of the Paris Agreement as a very positive step.

(1) UIC-IEA Railway Handbook 2016 – Energy consumptions and CO_2 emissions.

Alstom participated in the UNFCCC's 21st Conference of the Parties (COP 21) in 2015 in Paris (France) and the 22nd Conference of the Parties (COP 22) in Marrakech (Morocco) in 2016. 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). It also presented its solutions and initiatives allowing CO_2 emissions to be reduced, notably linked to transport. By offering railway solutions that are ever more efficient, environment-friendly and attractive, Alstom is contributing to the transition to sustainable transport systems.

In the course of next year, Alstom will publish its "2°C trajectory" outlining the global strategy the Group intends to deploy in the future to address its operational risks, the evolution and energy efficiency of its solutions portfolio, the energy consumption of its sites, its logistic chain and its development choices.

Risks

For several years, an annual risk assessment review has been performed as part of the annual budgeting and three-year plan process. The objective is to identify, analyse and anticipate the significant risks of 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 Group. The evaluation method takes into consideration facilities with property damage and business interruption insurance values of over €50 million. It takes into account geographical risk indices and probability ratios provided by insurance companies, in order to identify the most exposed company facilities.

Alstom updated its climate change risk assessment in fiscal year 2016/17 taking into account the evolution of climatic data and its activity perimeter. The calculation methodology was also adjusted to better take into account the risks by type of event. Based on this risk evaluation, Alstom has defined improvement actions wherever necessary. For example, the Warrensburg site in the United States, which 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.

The priority for the years to come will be to ensure that all appropriate prevention measures are in place at the most exposed Alstom sites and to integrate climate impact risk analysis in the assessment of strategic suppliers and the Company's investment strategy.

In parallel, the current pressure against fossil fuels use leads one to believe in the progressive reduction of diesel use in the rail sector in the medium term. The supply of diesel rolling-stock (locomotives or trains), and the related on-board signalling, and services, have represented less than 5% of Alstom's orders over the last 3 years. This transition appears to be bringing more opportunities than risks for the Company which is developing its portfolio of electrification solutions and efficient alternatives to diesel.

Opportunities

The Paris agreement is a major step forward in the global fight against climate change. Indeed the rather ambitious vision that emerged at COP 21, including the objectives of keeping global warming well below +2°C and of reaching a balance between emission sources and sinks before end of the century, was confirmed at COP 22 in Marrakech, despite political uncertainties.

It has also confirmed the importance of the contribution of the transport sector in reaching the ambitions set. From an international standpoint, transport is now clearly recognised overall as a sector which contributes significantly to worldwide emissions [(1)] whilst offering a great potential to curb them.

The Marrakech partnership for global climate action (MPGCA) which reinforces engagement with non-state actors on seven key topics including transport; the structuration of the Nationally-Determined Contributions (NDCs) to drive progress; the Paris process on mobility and climate; and its proposed roadmap "an Actionable Vision of Transport Decarbonization" – implementing the Paris agreement in a global roadmap" have become important elements of the COP process.

The "Avoid Shift Improve" approach that groups the priorities for action, is now widely recognised by international actors as the way to follow to decouple mobility needs and CO_2 emissions generated by transport.

For Alstom, the main opportunities regarding climate change are linked to:

- a reinforced need to decarbonise transport and to favour low carbon emission modes through public policies, regulations and/or the implementation of carbon pricing in the field of transport;
- the further integration of transport targets and action roadmaps in the Nationally determined contributions of which 75% already identify transport as a key mitigation source and 19% make a specific reference to rail [(2)];
- the financing of sustainable transport projects that generate greenhouse gas emissions reductions but also bring benefits in terms of air quality, reduction of congestion, local growth, safety… as well as financing of research and development projects on innovative technologies for sustainable mobility;
- the willingness of transport operators to deploy alternative technologies to fossil fuels and the latest energy efficiency solutions and services;
- the adaptation of transport systems: resilience to climate change must be taken into account in the design of new infrastructure whilst existing systems must be assessed and adapted.

Alstom is well prepared to benefit from new opportunities arising from the reinforcement of public policies around climate change.

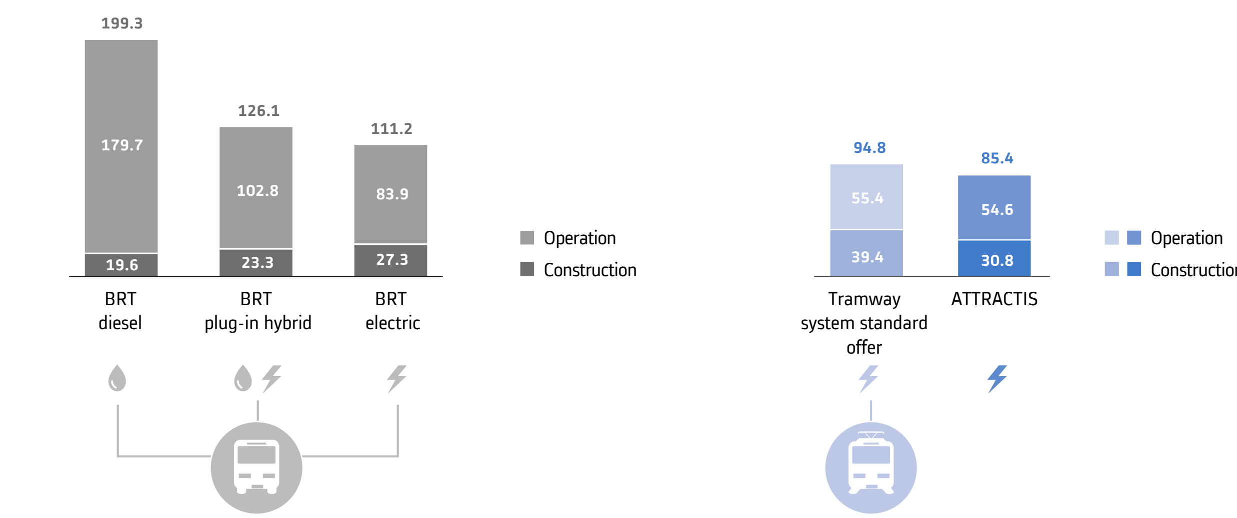
(1) Transport sector today represents 23% of CO_2 emissions from combustion (IEA).
(2) UIC- IEA Railway handbook on Energy consumption and CO_2 emissions 2016.

Alstom's low carbon offer

At COP 22, Alstom presented a joint survey completed with independent consulting firm Carbone 4 to assess the carbon footprint of its tramway solutions [1] compared with urban transport alternatives for the same capacity which demonstrated that:

- tramway systems have a carbon footprint which is half that of a diesel bus rapid transit system;
- an electric bus system has a carbon footprint which is 44% lower than that of diesel bus;
- its optimised tramway system Attractis™ allows emissions of CO_2 from construction to be reduced by more than 20% compared with a standard tramway system.

TOTAL EMISSIONS BY PHASE OVER 30 YEARS *(kt CO_2e)*



Alstom has defined objectives to contribute to the global reduction of CO_2 emissions through energy consumption reduction in its transport solutions (see page 218) and through reductions in the energy intensity of its operations (see page XX). The results delivered in 2016 are in line with these ambitions. Alstom also launched in fiscal year 2016/17 a program to assess and reduce CO_2 emissions linked with its logistics chain (see page XX).

Alstom is also striving to develop its range of low-carbon rail offerings using alternative energy to fossil fuels. Examples of these are hybrid locomotives (Prima H3™) and new regional trains powered by fuel-cells (Coradia iLint™) (see page XX).

Furthermore, Alstom has recently enlarged its offer of electrical mobility solutions. The investment in the company Easymile and the associated commercial partnership now allows the Company to integrate in its portfolio electrical and driverless shuttles in order to better address the last mile transport for urban areas. In March 2017, Alstom also announced the launch of Aptis™, a new urban mobility solution, operating as a bus powered by electricity, but offering a design and level of comfort close to those of a tram (see page XX).

Contribution to the Rail sectorial initiative

Alstom supports the Low carbon rail transport challenge presented by the International Railway Union (UIC), which has 240 members across six continents. Its targets are, amongst others, to:

- reduce the final energy consumption from train operations by 50% by 2030 and 60% by 2050, relative to a 1990 baseline;
- reduce average CO_2 emissions from train operations by 50% by 2030 and 75% by 2050, relative to a 1990 baseline.

To date specific CO_2 emissions from passenger traffic are showing a decrease of 30% compared with 1990 levels.

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, the Weather project has 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.

Alstom, which has years of experience of demanding projects at many sites exposed to exceptional weather conditions (*e.g.* Dubai), has the ability to supply trains and infrastructure that are resilient to climate change. For example, in the context of the Sydney tramway project, 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.

Alstom will also collaborate over the coming year with the RailAdapt initiative of UIC, which aims to develop a common framework to guarantee the long-term resilience of rail systems.

(1) Assessment carried out for a reference case in Belgium considering emissions from construction and operations.

DEVELOPING IN EMERGING MARKETS

The continuous growth of population and urbanisation, mainly driven by emerging countries, is creating strong needs for efficient transport solutions which are leading Alstom to localise a growing portion of its activities in emerging markets.

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. 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 in Chennai (India), created a hub in Istanbul (Turkey) in 2014, opened a new production line for the Citadis™ tramway in Taubate (Brazil) in 2015 and announced the construction of a new production site for locomotives in Madhepura (India) in 2016 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 CTLE, specialised in the modernisation of trains;
- Algeria: creation in 2011 of a joint-venture, Cital, for the maintenance and assembly of trams;
- 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.

In addition, Alstom plans to develop the presence of its commercial and industrial sites while adapting them to the needs of each region.

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 promote the mobility of its international talent, especially in respect of emerging countries. This is demonstrated, in particular, in the Company's ambition to have the nationality of middle management and the talent pool reflecting the geographical spread of Alstom's business.

By reinforcing its local footprint, Alstom will benefit from the growth potential in these local markets and the associated increase in pricing competitiveness. The establishment of new engineering centres and production sites outside Europe will enable the Company to significantly reduce its engineering and production costs whilst maintaining its level of excellence.

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.

DESIGNING **SUSTAINABLE MOBILITY SOLUTIONS**

For its products and services, Alstom consistently promotes a life-cycle approach in order to maximise environmental and economic benefits over time.

ECODESIGN FOR PRODUCTS AND SERVICES

Alstom's ecodesign approach seeks to develop environmental-friendly solutions by monitoring and reducing the environmental impact of solutions while reinforcing their societal benefits. This approach is based on three essential elements: 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;
- reduction of noise and vibrations;
- use of clean, recyclable, and natural materials;
- reduction of air emissions;
- end-of-life management of products, particularly in maintenance activities.

This policy is deployed in the development processes which ensure compliance throughout project execution, supported by a network of more than 100 experts (ecodesigners, acoustics experts, materials experts, energy engineers, etc.).

2014 saw the first implementation of environmental performance dashboards to record the baseline performance of reference solutions and track progress *versus* targets. These dashboards have been set up for rolling stock (tramways, subways, regional trains and intercity trains, high speeds) and are gradually being deployed to infrastructure products (electrification) and systems.

Alstom conducts Life Cycle Assessments (LCA) to identify significant environmental aspects, identify areas of improvement and assist in technical choices relating to such developments as new metros, the regional version of the Coradia™ Polyvalent platform designed for the French regions or the signaling solution for the Urbalis Fluence™ metro. The LCA carried out on the MooN safety cabinet also made it possible to evaluate the ecodesign approach implemented on this product. This showed a 44% reduction in impacts compared to those generated by the former generation. Indeed, thanks to a reflection on the economics of its functionalities carried out by the Alstom engineers, the MooN cabinet can replace two older generation cabinets.

The environmental analysis method for products developed in 2014, based on the results of life-cycle analyses, is being deployed gradually. This year again, significant efforts have been made to streamline and optimise practices across platforms, which will help deploy life-cycle analyses more efficiently and more systematically in the future.

In addition, environmental product declarations provide stakeholders with a comprehensive view of the environmental impacts throughout the life cycle of a product. In 2016, Alstom published five declarations highlighting the performance of its track marker, on-board electronic equipment (EVC2) and safety cabinet (MooN) solutions.

Furthermore, in order to make accessible the environmental and social performance of its solutions, Alstom is undertaking the preparation of sustainable product performance sheets on each of its ecodesigned solutions.

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.

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 train 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 2016/17, standard methodology and set of assumptions were developed for full metro systems.

During fiscal year 2016/17, Alstom determined the energy consumption of its metro, tramway, regional, intercity and mainline rolling stock solutions, as well as those of its solutions available in 2014, allowing the first results of the energy variation of its solutions to be assessed.

This year, Alstom has reduced the energy consumption of its portfolio by 11% compared to 2014. This performance puts Alstom on track to achieve its 20% reduction target by 2020.

Innovation for energy efficiency

Innovation is a crucial driver to improve the energy efficiency 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-design of parts; optimisation of aerodynamics; improved efficiency of electric or diesel traction systems (permanent magnet motors, optimised engine block control system, new traction chains, powerful traction auxiliaries); auxiliary comfort equipment with low consumption (lighting, heating and air conditioning);
- "energy production and recovery", in order to minimise energy losses and to reuse it, through electric braking until full stop for example;
- "energy storage", in order to increase battery life and provide additional recovery capabilities;
- "energy management systems", in order to optimise use modes, by improving sleeping modes for instance.

For example, the new steel wheeled metro has been designed to reduce energy consumption by more than 20%. Equipped with an optimised traction chain, it is notably equipped with a more powerful motor and LED lighting and its 100% electric braking recovers the energy and reinjects it in the form of electricity into the network whilst limiting the emission of fine particles from the brake pads, which helps to limit air pollution and reduce energy consumption. The weight of this new train has been reduced by 3%.

Alstom has also developed a new generation of high-speed "Avelia Liberty™" trains based on proven technologies. Their performance in terms of energy efficiency has been improved thanks to their articulated architecture, their optimised capacity, the lightening of the weight, their braking energy recovery capacities and a "Smart" eco-driving system. These new trains consume 15 to 30% less than other high-speed trains on the market.

Alstom is working hard to develop new sub-systems based on innovative technologies which could in the future enhance the general performance of trains and systems. For example, Permanent Magnet Motors (PMM) help to save train mass because they are lighter than asynchronous motors (3% better efficiency). In addition, 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 in particular.

Optimised Heating Ventilation and Air Conditioning (HVAC) systems are also implemented for the different market segments, including CO_2 sensors and heat pumps. Such optimised system was incorporated into the latest version of the Coradia™ regional train, as well as on Intercity trains for NS, the main Dutch rail operator. Alstom has also worked on the integration of high performance cooling systems used for traction (based on capillary pump loops technology). These can be installed on all trains to replace conventional cooling systems such as fans, pumps and radiators. Finally, due to the improvement of the components of the traction chain which require less cooling capacity, various natural cooling technologies have been developed and tested, especially for metro applications. These technologies 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 savings in operation. 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 for underground operations and therefore reduces the associated ventilation requirements. To date, more than 120 Hesop™ converters have been ordered or delivered, for instance for the London Underground (United Kingdom), the Milan Desio-Seregno tramway line (Italy), the Riyadh subway (Saudi Arabia), the Sydney tramway (Australia), the Panama subway and the Dubai subway (United Arab Emirates). The commercial commissioning of a sub-station for the London Underground at Cloudesley Road demonstrated the relevance of the technical solution with an average recovery capacity of 800 kWh/day, saving enough to cover the needs of two medium-sized passenger stations.

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 such as the implementation of eco-driving tools. 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 The CoSMo Company 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 every 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.

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 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 includes optimising the environmental footprint and reducing energy consumption by at least 25%. To achieve this, the integrated and multidisciplinary team of 20 experts totally 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, is also open to the outside world. It regularly hosts experts who bring their knowledge of innovative solutions and is also enriched by successful collaborations with schools of engineering or design, with other industrial companies and with startups.

The integration of supplier's innovations is also a key challenge. Collaboration with the company Calyos, for example, was essential in order to adapt to rail the highly efficient cooling technology developed for the aerospace industry.

In order to address the energy efficiency of global railway systems, Alstom worked in 2016 in partnership with major organisations on such projects as:

- IN2RAIL – 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 optimised solutions to be achieved incorporating the latest innovations such as:

- adaptive silencers to reduce traction motor noise;
- optimised traction control strategies to control high-tonal noises;
- optimised wheel shape to minimise acoustic radiation (implemented in the new Avelia™ and metro developments);
- development of methodologies for the description/categorisation of acoustic sources to improve modelling;
- design and installation of sophisticated test benches to allow power transformers to be tested as if installed in a train;
- elimination of fans and air-conditioning systems in the workplace (reduction of the cooling requirements of the Smartlock™ signaling equipment (*e.g.* Italy, Egypt);
- psycho-acoustic studies of high-speed train seats to minimise parasitic noises and sound quality studies on noise related to the use of seats;
- development of methods for listening to virtual models, thereby allowing to study interior noise during product development.

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. This joint development with Sateba, a world leader in the manufacture of sleepers, has been tested in France and the United Kingdom in operation. This system has been installed on the Crossrail C610 project in London, replacing existing installations (4,500 units).

CIRCULAR ECONOMY AND USE OF CLEAN AND RECYCLABLE MATERIALS

Through its ecodesign policy, Alstom encourages the extension of component life through repairability, reuse and recycling.

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. Beyond the measures taken to avoid product obsolescence, 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 fiber insulation system (40% to 100%).

Alstom promotes recyclable materials in its design choices. Trains are now, on average, more than 92% recyclable and recoverable to more than 97% (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.

(1) TGV is an SNCF brand.

Actions are also taken to reduce the amount of consumables required in maintenance processes and to extend the service life of parts. For example, on the new bogies proposed for the Citadis X05™, the wheel life has been extended by more than 30% compared to the previous generation. Alstom also 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.

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. Its energy consumption has meanwhile been reduced by 14%.

Ecodesign reduces risks and anticipates end-of-life by:

- favoring water-soluble paints and biodegradable oils in most trains;
- emphasising riveting and bolting when assembling parts to facilitate recycling;
- providing customers with information on the safety of materials and instructions for deconstruction;
- monitoring and substituting hazardous materials targeted by the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH [1]).

In order to manage the risks associated with the use of certain hazardous substances, in particular those highlighted by REACH, 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, REACH Regulation (in the European Economic Area) and similar regulatory provisions in other regions in respect of the design, production of equipment and project execution 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:

- for Alstom's activities, products, or quantities at stakes, it is not necessary to register chemicals or notify the European Chemicals Agency (ECHA);
- Alstom has put in place provisions to identify the presence of 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 whose 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 by its internal experts, uses alternative products where necessary and updates its internal chemical risk management procedures.

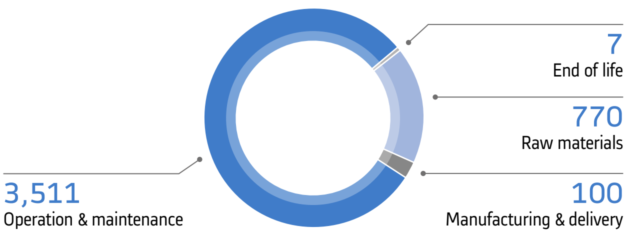
Alstom's proactive approach has allowed the detection and resolution of numerous cases of the use of substances of very high concern under the European REACH regulation. More than 21,000 cases of components or parts containing a substance known as "candidate" have been detected since 2012. These components are being monitored to gradually replace these substances, also known as "substances of very high concern", with substances that are more respectful of the environment. To date, replacements have been made for 84% of detected cases. Regarding the substances subject to authorisation published in Annex XIV of the REACH Regulation, approximately 1,600 of these substances have been detected and are being processed with suppliers. Thus, 85% of the cases covered by Annex XIV are currently secured and 100% will be before legal deadlines.

(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.

REDUCTION OF CO_2 AND OTHER AIR EMISSIONS

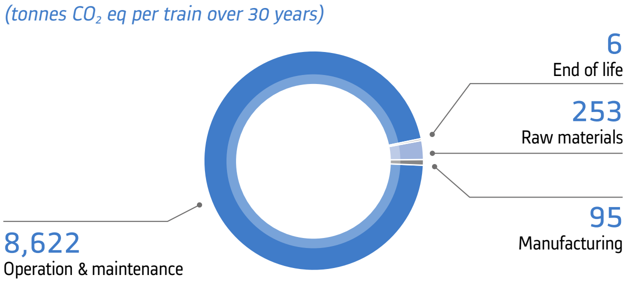
Alstom regularly carries out life-cycle analyses to assess the environmental impact of its products, including direct and indirect CO_2 emissions. This approach makes it possible to determine the significant CO_2 emission items over the life-cycle phases of the product.

CO_2 EQ. EMISSIONS OVER LIFE-CYCLE FOR CORADIA™ POLYVALENT
(tonnes CO_2 eq per train over 40 years)



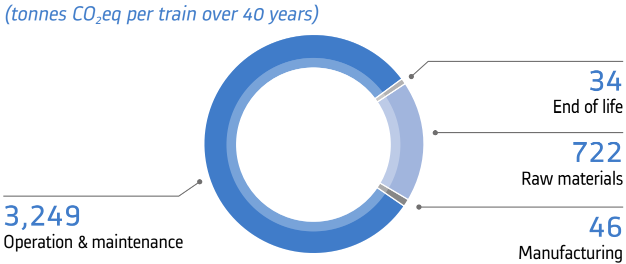
Source: Environmental Product Declaration Coradia™ Polyvalent (electrical mode).

CO_2 EQ. EMISSIONS OVER LIFE-CYCLE FOR DT5 HAMBURG METRO
(tonnes CO_2 eq per train over 30 years)



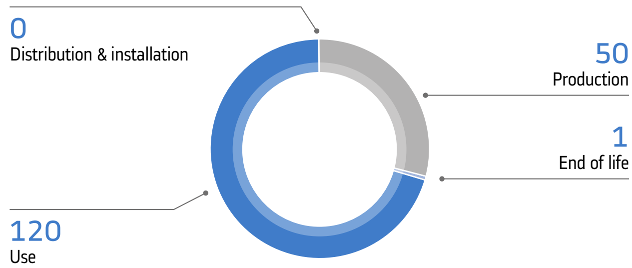
Source: Environmental Product Declaration DT5 Hamburg metro.

CO_2 EQ. EMISSIONS OVER LIFE-CYCLE FOR METRO MONTREAL
(tonnes CO_2eq per train over 40 years)



Source: Environmental Product Declaration Montréal metro.

CO_2 EQ. EMISSIONS OVER LIFE-CYCLE FOR SMART BALISE SYSTEM
(kg per system over 20 years)



Source: PEP Ecopassport Smart Balise.

Over its life-cycle (40 years), the emissions of a regional Coradia™ Polyvalent train operating in France are estimated at 4,400 tonnes of CO_2 eq, of which 80% come from the use phase. They are estimated at 9,000 tonnes for the DT5 metro operating in Germany, 96% in the use phase and about 4,000 tonnes for the last Metro in Montreal. Finally, they represent 170 kg of CO_2 eq. through the life-cycle of a Smart Balise system recently placed on the market.

Besides, the study jointly carried out with the firm Carbone 4 comparing the carbon footprints of a Bus Rapid Transit system and a Tramway system of the same capacity estimated that the carbon footprint of a tram system represented approximately 100,000 tonnes over 30 years of which 40,000 tonnes alone for the construction of the system (see page XX).

Thus, it appears that the energy consumption during the use of the products and the choice of materials at design phase are two significant items impacting the CO_2 emissions of Alstom's activities, products and services. The Company is therefore committed to defining a methodology for the determination of CO_2 emissions related to the use of its portfolio of solutions, products and services in the course of next fiscal year.

Alstom supports the development of alternative solutions to fossil fuels. In 2016, Alstom unveiled the Coradia iLint™, a new passenger train powered by a hydrogen fuel cell, for non-electrified lines. The train emits only steam and condensed water when in operation and has a low noise level. In addition, it consumes less energy through a storage system and an intelligent energy and power management system. The first 80 km/h test of the Coradia iLint™ was successfully completed in March 2017 on its own test track in Salzgitter, Lower Saxony, Germany. A major test campaign will be conducted in Germany and the Czech Republic in the coming months before Coradia iLint™ makes its first trials with passengers on the Buxtehude-Bremervörde-Bremerhaven-Cuxhaven (Germany) line early in 2018.

THE 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.

The most tangible outcomes of this approach to date have been the acquisition of Nomad Digital in December 2016 and the investment in EasyMile in January 2017. These strategic moves will allow Alstom to leapfrog ahead in the race to bring new digital solutions to the marketplace:

- Nomad Digital is the world's leading provider of connectivity solutions to the railway industry. These include, *inter alia*, WiFi and innovative passenger information systems, on-board entertainment and media platforms, tele-maintenance solutions, remote online monitoring, reliability-centered maintenance, driver assistance and power train products. These new skills and technologies will allow Alstom to accelerate the digitalisation of its offers;
- EasyMile, in which Alstom has taken a minority stake, is an innovative start-up company specialised in providing software for autonomous vehicles and smart mobility solutions. It has developed the EZ10 electric driverless shuttles which operate from a transport hub to a final destination within a precinct or confined area. In parallel, Alstom and EasyMile have signed a commercial partnership agreement aimed at providing integrated solutions for urban transportation.

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;
- the provision of assistance to the driver to facilitate efficient and safe driving.

For example, Alstom has 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, both for the City and for passengers. This experiment is also an opportunity for Alstom to work in a "test and learn" mode with cities, its partners and the local digital ecosystem of start-ups in order to strengthen new digital mobility solution. The connected tramway must become a place of interaction, experience and social ties, whilst also supporting the optimisation of operations management (energy, flows knowledge…) and being an integral part of the Smart City of the future.

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. Alstom is currently installing its SRS™ technology in France on the future tramway lines West-East & 3 of the Nice Côte d'Azur metropolitan area. These will operate without aerial contact line (outside tunnels) in order to be fully integrated within the urban landscape while preserving the architecture of the city. SRS™ will allow the 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 corners. 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.

Taken together these initiatives will enable the Company to enhance its value proposition.

PRODUCT SAFETY FULLY INTEGRATED IN DESIGN

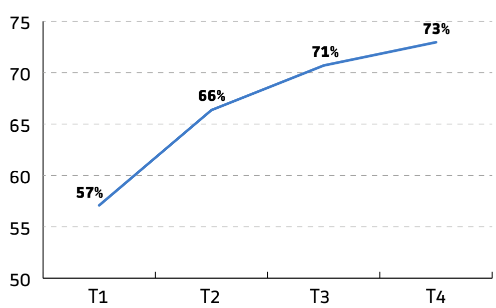
Product safety is a real concern for the railway industry and a major driver for Alstom's business. The Alstom Quality and Safety policy, updated in September 2015, shows the strong commitment of Alstom on this topic.

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".

  This year, a new quarterly indicator was defined to measure the capacity to integrate in due time safety concerns in project execution for improved efficiency. It is a measure of the status ("Ok", "Ok with findings", "not Ok") of safety design reviews performed at key milestones of the projects. The target has been set to achieve 75% for the consolidated "Safety Review "score by 2020. The present situation is the following:

"SAFETY REVIEW SCORE" INDICATOR *(in %)*



Source: Environmental Product Declaration Montréal metro.

Source: Alstom.

- 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 (2016), 192 potential safety issues were dealt with in terms of return of experience;
- the reinforcing of the railway safety culture within Alstom, with a campaign of training at different levels, targeting all employees through different sessions. This training 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.

AN INNOVATIVE TRAVEL EXPERIENCE

In a competitive market driven by increasingly demanding passengers Alstom is focusing its innovation strategy on a differentiated travel experience. Targeting the most innovative solutions for tomorrow's mobility, the company offers a unique range of products and services, aligned to the needs of its customers and the expectations of their passengers, with a real concern for the health of all users.

This year, Alstom defined its own Passenger Experience vision. The guidelines present the principles through six commitments, applicable to all projects, which express the expected passenger benefits and guide the design teams towards more durable solutions:

- safe transport systems, entirely healthy and secured at all times, for travelling with confidence;
- an efficient travel time, totally manageable without disruption, offering the best value for money;
- a connected service, enabling each passenger to get the most out of the travel time by staying actively online;
- a fluid journey, continuous and intuitive throughout, for optimised inter-modal transfers;
- a focus on well-being on board, promoting peaceful cohabitation for the individual comfort of each passenger;
- a customised offer, fully beneficial and rewarding for everyone.

By focusing on Passenger Experience, this strategic basis constantly improves the quality of responses and leads to new achievements.

As the first physiological and functional need for everyone, safety is one of Alstom's priorities. Based on proven technology, the Avelia Liberty™ high speed trains for Amtrak (USA) combine compact power cars with an articulated architecture, providing extra safety protection, reduced noise and vibration on-board, enhanced aerodynamics, and increased space for every passenger. The latest technical solutions in lighting, digital equipment and thermal control provide the highest level of comfort.

The company is also considering innovative solutions such as video-cameras with face recognition, capable of detecting an intruder on board, or luggage locking systems controlled by smartphone to prevent theft.

With the acquisition of Nomad Digital, connectivity is now part of Alstom's portfolio as a passenger experience differentiator: powerful Wi-Fi and "infotainment" services will be embedded in the new generation of Intercity trains for NS in the Netherlands.

To best serve customers, the new interiors of Alstom vehicles integrate realistic and appropriate designs, making the vehicle suitable for everyone. The new generation of Coradia™ has been designed to promote cohabitation on board, with dedicated areas for disabled people, wider doors and walkways, and individual comfort thanks to the extra space available. Alstom has also developed tailored solutions for the Dubai tram, aligned to the local context and the behaviour of the passengers, with three different classes and strengthened security on board.

Since creation is at the heart of innovation at Alstom, passenger experience is developed in a collaborative approach gathering engineering, design and marketing teams. The studies focus on innovative solutions that will have a direct impact on the travel perception, and in which the health factor is paramount: intelligent glazing, mood lighting that respects the human physiological cycle, augmented passenger information, services and products linked to the train system and the city..., where the aim is to value every moment of the journey, contribute to well-being, reduce stress and enhance the travel experience of each passenger.

ENVIRONMENTAL **PERFORMANCE**

This report presents the results of the Company on the environmental footprint of its facilities as described in the section "Methodology" (see page XX).

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 raising awareness actions;
- an EHS ("Environment, Health & Safety") organisation led in the countries, Regions and 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 consolidation perimeter of its environmental results as described in the methodology. Yearly targets have been fixed considering 2015 results and the final target for 2020.

The main environmental indicators that allow the monitoring of 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;
- Volatile Organic Compounds (VOC) emissions related to activity (intensity).

In 2016, the Company reached all the yearly targets.

In this section, environmental results are presented by calendar year and compared to 2015 and to the reference year 2014. Certification results are presented by fiscal year.

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 X).

CERTIFICATION OF UNITS

Objective 2020: Global Alstom ISO 14001 certification.

Objective 2017: ISO 14001 certification of all manufacturing sites and Regional Centres with over 200 employees by an independent organisation.

Results: At the end of fiscal year 2016/17, 100% of the manufacturing sites and of the Regional Centres with over 200 employees have been certified ISO 14001 according to the objective and 77% of the Alstom employees work on a site or for an ISO 14001-certified project. This year, the projects and infrastructure activities of the France and Middle East/Africa Regions obtained the ISO 14001 certificate.

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.

Objective 2016: Reduce energy intensity by 2% compared with 2015.

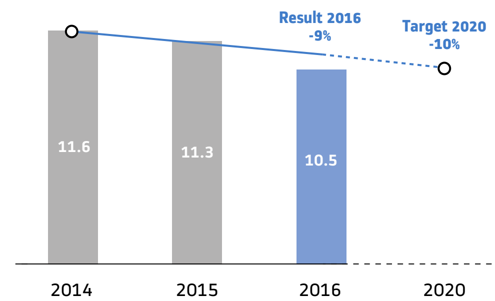
Energy intensity is defined as the amount of energy used in relation to Alstom's activity. The activity is measured in hours worked. The amount of energy used is recalculated by integrating a climate factor. In this way, the part of energy considered as used for heating is corrected to take into account winter temperatures impact 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: At the end of 2016, energy intensity decreased by 8% compared to 2015 and by 9% compared to the base year. The annual objective is achieved.

ENERGY INTENSITY

(in kWh/hours worked)

Further to the acquisition of the General Electric (GE) signalling activities, former GE sites have been integrated in the consolidated 2016 perimeter. Therefore, 2014 and 2015 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
Natural gas	242	245	231
Butane or propane and other gases	7	7	8
Domestic fuel	10	10	6
Steam/heat	30	35	42
Electricity	180	175	181
Coal, heavy fuels and other fuels	0	0	0
TOTAL ENERGY CONSUMPTION	**469**	**472**	**468**

Source: Alstom Teranga.

The Company's total energy consumption has decreased when compared to the two previous years. The gross consumption of natural gas, the main heating source and the energy source for the painting booths, decreased by 6% in 2016 *vs* 2015, a part of this being counter-balanced by the increase of heating demand on the sites (especially in Savigliano). The electricity consumption slightly increased, in connection with the increase of activity. Globally, the energy intensity with the integration of climate factor decreased by 8% thanks to the actions implemented.

A five-year energy plan was launched in 2016 which focuses on the 20 main contributors. Moreover, special attention was paid to five sites within the framework of this plan: La Rochelle, Valenciennes, Katowice, UK Services and Salzgitter. 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, La Rochelle reduced its energy intensity by 10% in 2016 compared to 2015 thanks to better heating management by the BMS (Building Management System) and the surface optimisation allowing energy inside unused buildings to be cut off. Katowice reduced its energy intensity by 5% thanks to a roof renovation programme with skylights to favour natural light, and the implementation of a continuous gas consumption measurement system to allow an analysis of the consumption profiles and the consequent adjustment of the heating. Five new sites will be selected in 2017.

GREENHOUSE GAS (GHG) EMISSIONS

GHG emissions related to operations

Objective 2020: Reduce GHG attributable to energy usage emissions intensity by 10% compared to 2014.

Objective 2016: Reduce GHG attributable to energy usage emissions intensity by 2% compared to 2015.

GHG emission intensity is defined as the amount of GHG attributable to energy usage, expressed in kilograms of CO_2 equivalent, in relation to Alstom's activity measured in hours worked.

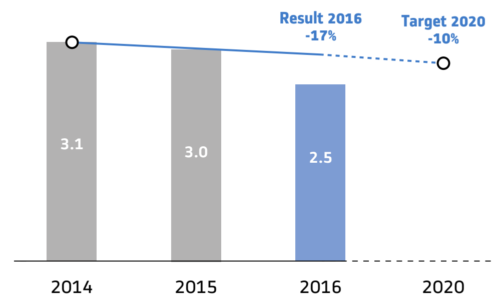
The objective of reduction of GHG emissions intensity is directly linked to the objective of energy intensity reduction. The quantity of GHG attributable to energy usage takes into account the climate factor as presented in the section "Energy consumption".

The Company measures separately the GHG 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 2016, the GHG emissions intensity attributable to energy consumption decreased by 15% compared to 2015 and by 17% compared to the reference year 2014.

GREENHOUSE GAS EMISSIONS INTENSITY
(in kg CO_2 equivalent/hours worked)

Further to the acquisition of the General Electric (GE) signalling activities, former GE sites have been integrated in the consolidated 2016 perimeter. Therefore, 2014 and 2015 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



GHG emissions details

(in kilotonnes CO_2 eq. – raw values)	Alstom 2014 (*)	2015	2016
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption (1)	53	54	50
Indirect CO_2 emissions from steam, heat and electricity consumption (2)	70	69	62
Total CO_2 emissions from energy consumption	**123**	**123**	**112**
Other Direct CO_2 fugitive emissions from HFC	1	1	1
TOTAL CO_2 EMISSIONS FROM ENERGY CONSUMPTION AND OTHER DIRECT EMISSIONS	**124**	**124**	**113**

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 from "2015 the climate Default Emission Factors" – April 2015.
(*) CO_2 emissions have been adjusted for all our sites using factors from the sources mentionned above.

Alstom's direct and indirect CO_2 emissions from energy consumption have strongly decreased since 2014. The intensity of GHG emissions follows the same trend as energy intensity. Thanks to the actions to reduce energy consumption, implemented through the energy plan deployed by Alstom since 2016, the GHG emissions are decreasing.

Use of renewable energies

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 increased from 30% to 40% (excluding Belfort site where Alstom doesn't manage directly the contract). In Germany, all the sites are supplied with 30% of green energy.

CO_2 emissions related to business travels

	Alstom		
(in kilotonnes CO_2 eq.)	**2014**	**2015**	**2016**
CO_2 emissions from air travels (*)	20	24	27
CO_2 emissions from train travels (*)	1	1	1
CO_2 emissions from company cars using gasoline	1	1	1
CO_2 emissions from company cars using diesel oil	5	5	3

Source: Alstom Teranga.
(*) Source: Carlson Wagonlit Travel (CWT) – CO_2 calculations are based on the 2011 (July) guidelines produced by DEFRA/DECC's GHG Conversion Factors.

In 2016, 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, Saudi Arabia and South Africa where the development of Alstom activities requires the support from the central functions). This has contributed to the increase in the CO_2 emissions related to air travel by 18%. Emissions from the other travel modes remained stable.

Alstom encourages in Europe the choice of company cars emitting less than 130 g CO_2/km.

CO_2 emissions related to logistics

Alstom moves forward on CO_2 impact reduction by deploying specific actions related to logistics and the use of packaging for transportation, to accompany in a sustainable way the growth of its activities.

By enhancing partnership with its freight forwarders, Alstom seeks to reduce the CO_2 impact of the transportation of its goods through the appropriate anticipation of its shipments and by improving its coordination and monitoring. In particular for overseas transportation, the mode of transport with the lowest environmental impact (rail, shipping, or a combination of both) must be favoured over air freight. Globally, the actual loading rate of containers is optimised by consolidating the dispatches.

In 2016, Alstom assessed for the first time the carbon footprint of the logistics flows under its control (between its sites, to customers as well as a limited part of deliveries from suppliers).

Emissions of CO_2 linked to the transport of goods *(in kilotonnes CO_2 eq.)*	**Alstom 2016**
Standard Transport	11
Out of Gauge Transport	3

Source: Alstom/Logistics Dept.

WATER CONSUMPTION AND WATER DISCHARGES

Water consumption

Objective 2020: Reduce water consumption by 10% compared with the reference year 2014.

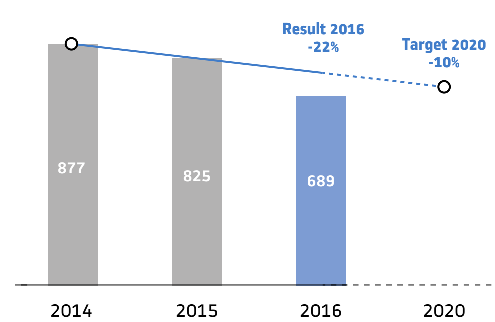
Objective 2016: Reduce water consumption by 2% compared with 2015.

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 2016, the water consumption decreased by 17% compared with 2015 and by 22% compared with the reference year 2014.

WATER CONSUMPTION
(in thousands of m^3)

Further to the acquisition of the General Electric (GE) signalling activities, former GE sites have been integrated in the consolidated 2016 perimeter. Therefore, 2014 and 2015 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 22 permanent sites. Their consumption decreased by 9% in 2016, over the global target of 2%.

Details of water consumption

	Alstom		
(in thousands of cubic metres)	**2014**	**2015**	**2016**
Public network	633	590	557
Ground water	238	228	132 [(*)]
Surface water	0	0	0
TOTAL WATER CONSUMPTION	**871**	**818**	**689**

Source: Alstom Teranga.
(*) This figure doesn't take into account the groundwater pumped for geothermal purposes at the new Villeurbanne site, that is 945000 m³, considering that the water is re-injected in the ground without any impact.

Most of the consumption is for domestic use. The Company reduced its water consumption thanks to a better management of network leakages; a lower train-washing activity (in Nola for instance) or bogie maintenance activity (in Manchester); and the implementation of closed circuit for the water-tightness tests (in Savigliano).

Waterborne discharges

In 2016, 70% 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.

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.

Objective 2016: Establish a measurement of the non-methane VOC emissions intensity.

VOC are the main air pollutants emitted by Alstom operations. Thanks to its paint substitution initiatives (replacement of solvent-containing paints by aqueous paints), Alstom has divided by two its VOC emissions over the last five years. The Company is continuing its efforts with the ambition to continue to reduce the intensity of these emissions.

Results: At the end of 2016, non-methane VOC emissions decreased by 6% compared with 2015 and by 3% compared with 2014. Moreover, a new relevant indicator was created to measure the impact of the activity on the VOC emissions: the VOC intensity, which corresponds to the quantity of VOC emitted related to the painting activity. The activity is measured by the number of units painted (a unit can be a locomotive, a coach or a component). The VOC intensity is 28 kg per unit in 2016.

Detail of non-methane VOC emissions

	Alstom		
(in metric tonnes)	**2014**	**2015**	**2016**
VOC emissions	146	150	141

Source: Alstom Teranga.

It is notable that the Indian, Brazilian and South African markets specify trains in stainless steel and therefore unpainted (the use of film being an alternative to painting for the provision of a livery). This factor contributes to the reduction of VOC emissions.

(1) Mapping as per the WRI Aqueduct™ project reference map.

Other emissions

In 2016, 46% 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.

WASTE MANAGEMENT

Objectives 2020:

- maintain the percentage of recovered waste at 80%;
- reduce waste intensity by 10% compared with reference year 2014.

Objectives 2016:

- recover 80% of the total waste;
- reduce waste intensity by 2% compared with 2015.

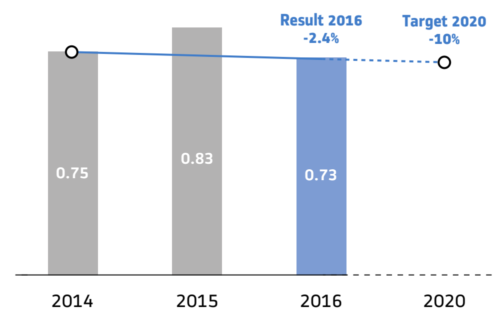
The Company is pursuing its objective of waste recovery at 80% with particular emphasis on countries in which waste recovery is not developed. The Company defined a new indicator to measure the impact of its activities on waste production. Waste intensity is defined as the amount of waste produced in relation to Alstom's activity. The activity is measured in hours worked.

Results: By the end of 2016, the waste recovery rate is 88%. The target is reached. The waste intensity decreased by 12% compared to 2015 and by 2.4% compared to 2014.

WASTE INTENSITY

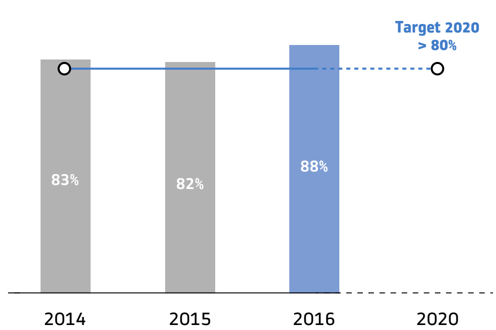
(in kg/hours worked)

Further to the acquisition of the General Electric (GE) signalling activities, former GE sites have been integrated in the consolidated 2016 perimeter. Therefore, 2014 and 2015 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



PERCENTAGE OF RECOVERED WASTE

Further to the acquisition of the General Electric (GE) signalling activities, former GE sites have been integrated in the consolidated 2016 perimeter. Therefore, 2014 and 2015 results have been recalculated to allow the evolution of the performance to be followed at constant perimeter.



WASTE PRODUCTION

	Alstom		
(in metric tonnes)	**2014**	**2015**	**2016**
Hazardous waste	2,658	4,236	2,728
which recovered	*1,635*	*1,790*	*1,504*
Non-hazardous waste	27,710	28,860	27,014
which recovered	*23,656*	*25,420*	*24,529*
TOTAL WASTE PRODUCTION	**30,368**	**33,096**	**29,742**

Source: Alstom Teranga.

In 2016, the amount of waste produced decreased mainly due to shutdowns (such as painting activity in Valenciennes).

With the rehabilitation of Tarbes completed, the production of hazardous waste also fell sharply in 2016 to return to 2014 levels.

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.

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".

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 necessary material (which reduces the mass of the parts and avoids material wastage such as shavings). The waste has thereby been reduced by 40% when compared to more traditional techniques (such as machining).

The year 2016 was devoted to the manufacture of prototypes (50), the case study of representative applications (20 parts references, 30 tools) as well as characterisation of materials and tests on Barcelona site (Spain) and components production sites in France.

NOISE POLLUTION

The main impact comes from Alstom's night-time activities, in particular the maintenance operations in urban depots. The issue is addressed at site level in order to take into account the local specificities.

Thus, in the UK for example, the noise issue is managed as a priority to ensure that the impact from noise has a minimum effect on the neighbourhood. Commitments are made through programs with local communities, such as regular noise level monitoring around the sites and works areas. For outside works, such as signalling works that generally occur at night, mitigation measures have been put in place such as the use of equipment which allows noise levels to be kept to a minimum.

In France, some construction sites are equipped with acoustic covers to protect the neighbourhood from the noise during certain operations such as the cutting of catenary posts.

SOIL POLLUTION

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.

GROUND FOOTPRINT

Most production sites have been located in areas dedicated to industrial activities for a long time. During project development of new sites or renovation of existing sites, Alstom takes into account the applicable regulations regarding soil sealing and the maintenance of green spaces.

The ground footprint of industrial Alstom sites and the associated environmental impacts are not considered significant and therefore not subject to detailed analysis.

ELIMINATION OF ASBESTOS

Utilisation of any asbestos or material containing asbestos is strictly prohibited in Alstom's products.

It has been Alstom's policy for many years to manage the risk of exposure to asbestos in all its operational units: asbestos surveys in its buildings (leased or owned) and equipment, abatement plans according to the risks, including in countries where asbestos is not prohibited.

The Company applies instructions to frame the monitoring process and workers' protection; these instructions have been updated and improved regularly.

Within this framework, Alstom retains the ambition to eradicate asbestos in its buildings as far as reasonably and economically practicable.

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 main 25 production sites, 23 are located outside legally protected areas [(1)] and/or priority sites for biodiversity [(2)], representing over 90% of Alstom 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. Last year, 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. This year, the site also proposed, with a local school and in partnership with a local network "Reseau Animation Intercommunale", the implementation of hotels for insects, birdhouses, bird feeders and explanatory panels about the nested species on site. This initiative aims to raise awareness of fauna and flora richness and to encourage responsible behaviour.

EMPLOYEE AWARENESS AND RECOGNITION FOR BEST PRACTICES

The Company undertakes communication and awareness actions on good environmental practices for its employees, especially within the framework of ISO 14001. These actions are completed by mobilisation programmes often combined with health and safety awareness programmes.

Thus, in 2016, the Europe EHS challenge, promoting and rewarding the best health, safety and environmental practices, recognised many initiatives in environment, such as the replacement of company cars by electric vehicles and the promotion of the bicycle in Sesto. In Israel, a programme has existed since 2014 to encourage employees to share their ideas of improvement: every month an employee is highlighted.

Alstom's Brazilian sites have widely celebrated the World Environment Day which they extended to a whole week with some awareness activities on environment for employees and sub-contractors. On the agenda, a different item every day (waste, water, energy, greenhouse gas emissions), around which conferences and fun activities were organised (such as a night energy treasure hunt in the Bandeirantes offices). This was accompanied by a targeted communication on the good practices to implement.

Furthermore, some Alstom practices in favour of the environment are recognised by external stakeholders. For instance, Alstom participated in two events in favour of reforestation in Mexico, organised by non-governmental organisations (Bosque Urbano and Extra AC). The Company also obtained the official recognition of the customer for its active participation in a reforestation programme in Panama.

As it does every year, Villeurbanne participated in the mobility challenge of the Rhône-Alpes region: 8,000 km covered in a morning by green modes of transport. Participants won awards in the different categories (bicycle, walking, public transport, car-pooling). In the continuity of this challenge, the works council put electrical bicycles at collaborators' disposal during the whole of June.

In September 2016, Alstom organised its first Sustainable Mobility Day. The objectives were to develop internal awareness, to influence individual behaviour and to reinforce messages on the company's contribution to the transition towards more sustainable transportation modes. A series of pictures on the future of mobility was drawn. The event generated a real internal dynamic: similar events were organised in more than 20 countries and sites through local initiatives such as exhibitions (Poland), a mobility survey (Australia), electrical vehicle testing (UK), carpooling promotion (France), awareness sessions on sustainable mobility (Singapore), and a photo contest (Brazil).

(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 AZE.

SOCIAL PERFORMANCE

To succeed on numerous, wide-scale projects, and implement state-of-the-art technology and equipment, Alstom needs competent, motivated and dedicated employees and teams worldwide.

People are Alstom's greatest asset – they shape its future. Alstom's Human Resources (HR) strategy is based on its values – Team, Trust & Action and Ethics & Compliance and its Leadership dimensions – Entrepreneurship, Collaboration, Agility and Global Vision.

The objective is to ensure consistency and fairness for all employees. These values bring all Alstom employees together in a shared culture and aim to inspire a strong feeling of belonging to a single unified organisation.

Promoting diversity, equal opportunity, dialogue, commitment to Environment, Health & Safety, Security, people management and development, knowledge-sharing, and recognition of employees' individual and collective contributions are at the heart of the Company's priorities to build a great working environment.

A STRONG FOCUS ON OCCUPATIONAL HEALTH AND SAFETY

Occupational accident prevention

Alstom is pursuing an ambitious policy to reduce occupational health and safety risks for employees, whether permanent or temporary, and for contractors involved in the Company's activities.

Alstom occupational safety objectives and results

Safety objectives:

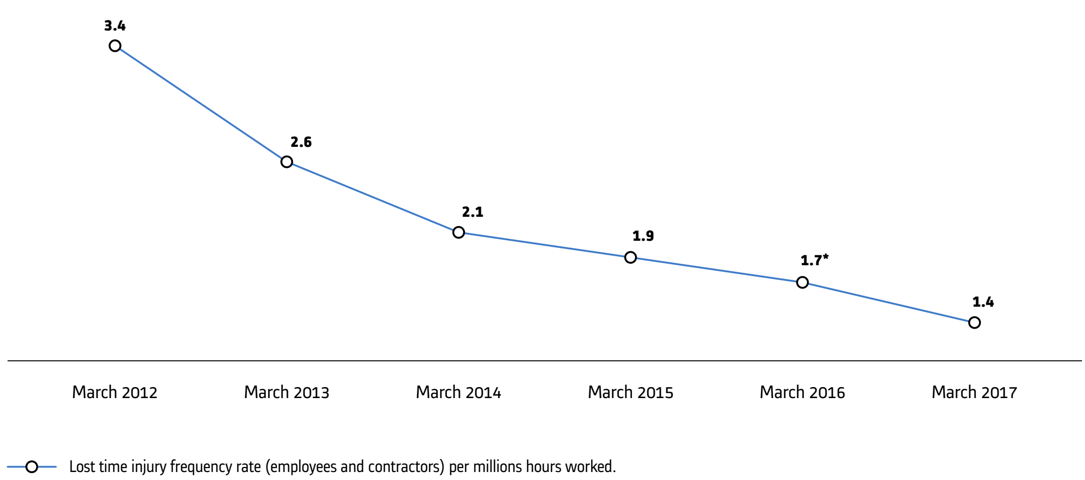
- zero fatalities at work (for employees and contractors);
- occupational injury frequency rate (for employees and contractors) at 1 by 2020;
- a global OHSAS 18001 certification of the activities of Alstom by 2020.

Result:

In 2016/17, Alstom did not suffer any fatal accidents concerning employees and contractors. The lost time injury frequency rate of employees and contractors was 1.4 as at 31 March 2017 decreased by 15% *versus* last year, exceeding the Company's yearly objectives and in line with its 2020 ambition.

In addition, this year Alstom did not suffer any fatal travel accidents.

OCCUPATIONAL INJURY FREQUENCY RATE – EMPLOYEES AND CONTRACTORS



* Donnée mise à jour : 1,7 au lieu de 1,8 suite à la non reconnaissance par les autorités compétentes du caractère professionnel de cinq accidents reportés lors de l'exercice 2015/16 qui ont été sortis de nos enregistrements.

Wherever it operates around the world, Alstom deploys ambitious programmes to reduce occupational accidents and involves both its employees and its contractors who may be exposed to significant accident risks. The efforts made led to the achievement of significant results: in five years the injury frequency rate has been divided by two, while the number of workplace fatalities has decreased from several cases a year to zero for more than the last four consecutive years.

Occupational safety nevertheless remains of the utmost priority for the entire Company: the nature of Alstom's activities, its development in countries where the level of consideration of health and safety risks is sometimes low, its complex partnerships in construction activities, oblige the Company to focus on the control of the most hazardous activities and to observe a high level of vigilance in order to maintain and improve its results.

The Company's occupational safety approach is primarily to prevent severe and fatal accidents. Progress is followed by measuring the number of fatal accidents and severe accidents as well as the continuous improvement of the frequency rate. Alstom has used for several years a definition of accidents which is adapted to the international context of its operations, where durations of medical leave may vary from one country to another for the same medical condition.

Finally, in line with the global objectives, the OHSAS 18001 certification process continues. Today, more than 8,700 Alstom employees and contractors working in industrial sites, regional centers, depots and construction sites apply processes compliant with OHSAS 18001 and certified by official bodies.

KEY RESULTS ON OCCUPATIONAL SAFETY

	2015/16	2016/17
Number of fatalities at work (Alstom employees and contractors) (1)	0	0
Number of travel fatalities (Alstom employees) (2)	2	0
Number of occupational severe accidents (3)	6	6
Lost time injury frequency rate (employees and contractors) – IFR 1 (4)	1.7 (5)	1.4

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.
(5) Adjusted data: 1.7 *versus* 1.8 due to five accidents reported in 2015/16 fiscal year that were not recognised as occupational by relevant Authorities and removed from our records.

Management of occupational safety

Management of occupational safety is based on:

- consideration given to safety risks at all levels of the Company starting at the top;
- deployment of safety objectives in the organisation and periodical results reviews at the same frequency and in the same internal steering committees as for financial results reviews;
- implementation of a health and safety programme: control of the most hazardous activities, systematic and deep analysis of all severe or potentially severe accidents, development and deployment of internal standards, targeted training actions to involve employees, development of the safety practices of our contractors, communication and awareness-raising actions;
- an EHS ("Environment, Health & Safety") organisation made of a network of professionals animated at country, region and central level.

"Alstom Zero Deviation Plan" (AZDP)

This plan, launched in June 2012 in order to reduce the number of fatal and severe accidents resulting from the Company's activities, is focused on the control of our most hazardous activities and has strongly contributed to the reduction of the number of occupational fatalities.

The plan is structured around 11 Alstom directives, each of them being dedicated to one high risk activity (example: train movement, working at height, lifting, etc.) and requires strict compliance with 50 safety requirements in all activities wherever Alstom operates worldwide and the implementation of a "zero tolerance" to deviations policy.

Each Alstom entity regularly undertakes a self-assessment of its compliance to the directives while a three-year centrally managed audit programme is deployed in the Company both in big industrial sites and in smaller activities such as depots or construction sites with the target of carrying out more than 60 audits per fiscal year

The "AZDP" remains the cornerstone of the Company's initiatives to reach "zero severe accidents".

	2014/15	2015/16	2016/17
Number of formal AZDP audits conducted during the fiscal year	46	61	62

Source: Alstom (EHS Library).

Notification and Return of Experience ("REX")

An immediate (24 hour) notification process is in place when a lost time accident or a severe event, or an event that could potentially have been severe, occurs in the Company. This allows the organisation to react quickly when necessary. Each severe or potentially severe accident is analysed to identify the root causes of its occurrence and to take measures to avoid a repeat occurrence. It is then subject to return of experience analysis during systematic reviews organised by the Head of the EHS organisation in each Alstom Region. Lessons learned are shared within the Company. When necessary, the Company safety standards are upgraded to take into account the return of experience.

Alstom is continuing to deploy EHS training and accident investigation training in order to reinforce its capacity to identify the root causes of events. In addition, 40 sessions of return of experience, following severe or potentially severe accidents, were conducted during the year, each one being summarised in a synthetic report issued within Alstom and available in the shared EHS platform of the Company. New safety standards are created according to the problems encountered.

Safety Observation Visits

The "Safety Observation Visits" programme has been initiated for several years and is intended to develop managerial practices encouraging a positive safety culture and safe behaviour by all our employees. Alstom continued to deploy the programme during the fiscal year in all sites where the level of safety maturity allowed such an initiative to be conducted. Since March 2015, safety observation visits have been carried out regularly in almost 100% of European sites and more than 1,300 Safety Observation visits have been performed by managers in Europe. The initiative is being progressively deployed in the rest of the world.

Health and Safety Training

	2015	2016
% of Alstom employees trained through the e-learning module on High Risk Activities (1)	86%	80%

Source: Alstom HRIS.

(1) Alstom deploys an e-learning programme or equivalent training programme about high risk activities targeting all employees. The table gives the percentage of employees of Alstom at the end of the calendar year who followed the training course.

In complement to training required by regulations, Alstom designs and deploys safety training modules to answer specific needs and permanently adapts its internal training offer. For example, during the fiscal year 2016/17, Alstom designed a new training program for employees involved in construction sites in order for them to have a better understanding of all risks inherent for this type of activities in a complex railway environment. This training will be deployed next year.

The EHS Curriculum in Alstom University has seven programmes; two of them are in e-learning (" EHS Fundamentals " et " High-Risk Activities "). Three other in-class programs are under design, the deployment being planned for next year.

Occupational diseases prevention

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 fully into account the issue 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 2016/17, 28 APSYS audits were conducted. Alstom also takes into account measures to reduce asbestos risks – as described in the section "Elimination of asbestos".

	2014	2015	2016
Number of recognised occupational disease during calendar year for the Alstom perimeter.	22 (*)	17 (*)	26

Source: Alstom Teranga.

(*) In 2014 and 2015, perimeter was Europe only.

Numerous actions have also been taken in the Group to strengthen health and well-being at work. Alstom Spain has initiated a global three-year plan based on four priority pillars: health monitoring, risk prevention, healthy mind, healthy eating and physical activities. Italy, the United Kingdom and Ireland are placing the highest value on health and well-being by developing generic programs.

Finally, to support these country initiatives, a dedicated plan to health and well-being at work is being deployed across Alstom to evaluate the local needs and then to define at global level the related concerns and challenges to be addressed in the coming years.

Health and Safety awareness programmes and performance recognitions

Alstom conducts several actions for communicating and recognising performance in order to raise health and safety awareness among its employees and contractors. Many sites, entities, projects and countries are actively contributing to the improvement of the health and well-being of employees around the world. Several significant examples are presented below.

- Promotion of health and safety was carried out during weeks or days dedicated to these themes. In Brazil, all sites have implemented actions to develop awareness concerning the risks of hypertension, risks linked to nutrition, the impact of sugar and salt and some actions to promote the quality of food with the support of nutritionists. Workshops were also conducted on the effects of inactivity with physiotherapists. In addition, specific actions were implemented during the year, such as awareness training on the prevention of skin cancers. In France, at the Villeurbanne site, the week dedicated to health and safety was a great success. The main themes were the ergonomics of work stations, sleep and stress prevention, first aids, addictions and food balance with the support of the catering provider. In Saint-Ouen, workshops were dedicated to handicaps, musculoskeletal disorders and hearing. In South Africa, the local team decided that February 2107 would be the month for raising awareness on how to achieve a healthy and balanced lifestyle. Meetings were held about the management of stress, quality of food and the benefits of physical activities. During the year, Coimbatore site in India drove numerous programs such as training on stress management and work-life balance. During this training, the techniques of stress management were explained in detail. A special action for women took place in collaboration with an Indian women's self-defence organisation focused on enhancing self-confidence and improving one's physical condition. Thanks to the dynamism of the local teams in Panama, lots of prevention actions were carried out during the year in addition to a day dedicated to health. For example, some actions were focused on office activities such as office ergonomics and active breaks. Meanwhile, others addressed such topics as nutrition and alcohol-related conditions.
- Many country initiatives were deployed during 2016. In Belgium, a stress survey with a questionnaire developed by the University of Liège, "WOCCQ", allowed specific problems at the Charleroi site to be identified and suitably adapted action plans to be defined. The "CAKE-HS" program is deployed in Romania. The main objective of this is to develop awareness and involve office-based staff. One of the initiatives is to encourage the practice of physical activity with a challenge between voluntary groups equipped with an electronic bracelet that recorded all the steps of the groups. In Italy, the "Working SMART@AlstomItalia" project was launched in February 2016 with the pilot sites of Alstom Bologna, Bari, Sesto and San Giovanni and then involving the sites of Guidonia, Lecco and Savigliano services. This project is part of consideration of new ways of working, characterised by greater flexibility and autonomy in the choice of space, time and tools to be used. Alstom Italy was recognised with a "Smart Working Award" for 2016 by the Smart Working Observatory of the Milan Polytechnic School.
- 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.* 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. In 2016, more than 50 units in Alstom deployed such programmes, the detailed content of which was left to the initiative of every site so that it perfectly fitted with the local cultural context.
- In 2015, the innovative "EHS Daily" initiative was a great success in Alstom's service activities in Romania: more than 85% of employees spontaneously connected and entered the competition and 98% of participants considered that the action had reinforced their understanding of health and safety rules. With this success, German service sites, plus the Savigliano, Sesto and Lecco sites in Italy decided to launch this initiative. "EHS Daily" is just about right between training and competition, the objective is to definitively anchor the health and safety knowledge of all employees. Over a period of a few months, all employees, grouped in teams, are invited to participate in an interactive competition and to connect spontaneously and on a daily basis to a digital platform to answer questions on safety, based on situations within their own working environment. The analysis of the answers allows the verification of whether the knowledge is embedded or whether it still needs to be acquired.
- As in previous years, the Middle East/Africa, Latin America and Europe regions launched an EHS challenge to promote best practices in environment, health and safety. Overall, more than 700 good practices were identified and shared on Alstom's sharing tools. For example, in Europe, the competition was marked by the submission of more than 300 proposals of good practices of which 70 were dedicated to health and about 200 to safety.

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:

- Working accident damage coverage;
- Health coverage.

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 should be negotiated with a local provider as an option for employees to join on a voluntary basis. Preventive care should be encouraged.

In terms of Life Insurance, the aim is that all employees should be covered by a life insurance in case of accidental death representing at least one year of salary.

	2015 (*)	2016
Ratio of employees covered by a life insurance in case of accidental death or total and permanent disability during calendar year	98.6%	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	83.9%	85.1%

Source: Alstom social survey conducted in 25 countries representing 94.5% of Alstom's total headcount.
(*) 2015 data was covering 21 countries representing 93% 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.

The slight decrease is explained by additional countries included in the Social Survey process this year that are not yet offering this insurance.

HUMAN RESOURCES POLICY

In 2015, the Human Resources Strategy has been newly designed in order to best support the Alstom 2020 strategy.

Unifying values

Three core values – Team, Trust and Action – 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.

Strengthening diversity

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 leading up to 2020. Three years from now, the nationality of middle management and talent pool 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 (compared with 20% today and 18% in 2014). 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.

Encouraging entrepreneurial spirit

Alstom has introduced a number of initiatives to enhance empowerment and entrepreneurial spirit. Starting at the Alstom organisation principle of empowered Regions, continuing with the Leadership model (Entrepreneurship, Collaboration, Agility, Global Vision), which aims to deploy standards of behavior at every level of the company and up to the reward systems, all processes are designed to encourage entrepreneurial spirit. Since mid-2015, three main attributes – customer centricity, managerial courage and value creation – have been defined to support the entrepreneurial spirit. To support the empowerment of employees, Alstom recognises their individual and collective performance largely through an incentivising compensation policy including 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 number of employees.

Note: Alstom HRIS stands for Alstom Human Resources Information System, a worldwide database supporting human resources management.

Figures from Nomad Company, which was acquired by the Company in January 2017, are not included this year (around 200 employees).

Breakdown by type of contract

At 31 March 2016				At 31 March 2017			
Permanent contracts	Fixed-Term contracts	Interns	Total employees	Permanent contracts	Fixed-term contracts	Interns	Total employees
28,722	1,628	620	30,970	29,808	2,265	706	32,779

Source: Alstom HRIS.

Breakdown by Region

	At 31 March 2016					At 31 March 2017				
	Middle East/ Africa	Asia/ Pacific	Europe	Americas	Total	Middle East/ Africa	Asia/ Pacific	Europe	Americas	Total
Employees	1,698	3,173	21,254	4,845	30,970	2,877	4,016	20,717	5,169	32,779
% of employees	5.5%	10.2%	68.6%	15.6%	100.0%	8.8%	12.3%	63.2%	15.8%	100.0%
Out of which long-term absentees (LTA)	10	4	490	66	570	11	11	537	54	613

Source: Alstom HRIS.

Breakdown by category

At 31 March 2016				At 31 March 2017			
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
14,426	46.6%	16,544	53.4%	16,486	50.3%	16,293	49.7%

Source: Alstom HRIS.

Breakdown by gender

At 31 March 2016				At 31 March 2017			
Men		Women		Men		Women	
Total	% of total employees	Total	% of total employees	Total	% of total employees	Total	% of total employees
25,731	83.1%	5,239	16.9%	27,176	82.9%	5,603	17.1%

Source: Alstom HRIS.

Workforce changes during fiscal year

At 31 March 2016						At 31 March 2017					
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)
3,228	997	852	173	458	1,802	3,339	1,731	1,425	236	563	1,345

Source: Alstom HRIS.
Not including acquisitions and disposals.
(1) Calculated on permanent headcount only.
(2) Including retirement and end of Fixed Term Contract (FTC).

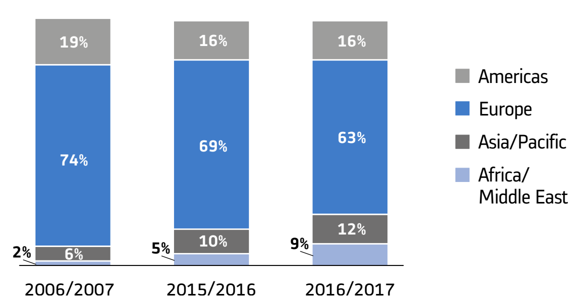
Adapting the workforce to the markets and activities

At 31 March 2017, Alstom employed directly 32,779 people. Hired staff – who have no direct employment contract nor training contract with an Alstom subsidiary but are hired because of a fluctuation of activity – represent 2,360 people.

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 2016, 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.

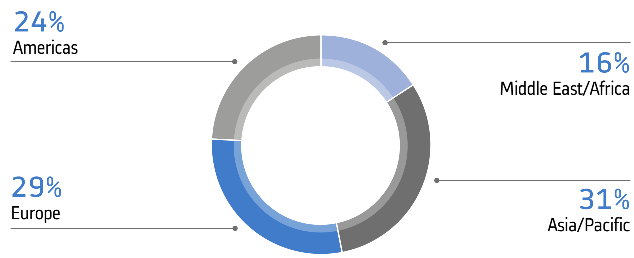
WORKFORCE BREAKDOWN BY REGION (EMPLOYEES)



Source: Alstom HRIS.

Alstom recruited 3,339 permanent employees over fiscal year 2016/17. In particular, active relationships and partnerships with schools and universities are key to Alstom's recruitment policy.

RECRUITMENT BY REGION IN 2016/17 (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, out of a total of 8,459 employees, 9.3% of the employees work on 2x8 shifts, 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 6.3 hours per employee for calendar year 2016.

REINFORCING THE COMPANY CULTURE

To maintain a high level of employee engagement, Alstom applies a strong culture of business ethics and human rights, each of which are fundamental Company values, integrated in the Company's common tools and processes on a worldwide basis.

Respecting business ethics

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 employees, who must know and rigorously apply the principles of Alstom's Code of Ethics.

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.

The Alstom Integrity Programme comprises:

- the Code of Ethics, which applies to every employee. The Code of Ethics prescribes essential rules of conduct with regard to the relationships with business partners, the role of Alstom in its environment, the promotion of a team spirit and the commitment to protect Company's assets. Published in 2001, it was reviewed and updated most recently in February 2016. 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, Greek and Traditional Chinese. The compliance team continues to work 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 compliance should play in their daily activities for Alstom;

- the Alert Procedure, which allows any employee or any person or 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, including a secure website (www.alstom.ethicspoint.com) and a toll-free hotline, both reachable 24 hours a day, seven days a week. Alstom made the decision in October 2015 to widen the scope of the Alstom Alert Procedure to cover 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 order to increase awareness and use of the Alstom Alert Procedure, the compliance team takes advantage of each opportunity 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 3 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.

  Furthermore, in order to reinforce and formalise the response to reports which are submitted *via* the Alstom Alert Procedure, 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 and to communicate Alstom's approach and its commitments to confidentiality with regard to investigations and non-retaliation against any employee who uses the Alert Procedure in good faith;
- risk management processes. A compliance assessment is made on each project during the pre-tender preparation phase. In larger, more structured projects involving consortium partners and joint ventures, specific risk assessments are conducted on the project partners. In all projects and activities, the use of commercial agents is also subjected 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;
- E&C Instructions, which provide detailed guidance to employees on rules and procedures to strictly apply in the areas of: gifts and hospitality, political contributions, charitable contributions, sponsorship, dealing with sales partners or consulting companies, conflicts of interest, facilitation payments and prevention of corruption with suppliers and contractors and in joint ventures and consortia;
- awareness and training of employees are essential to explain Alstom's Ethics & Compliance policy and 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 & Professionals for whom it is compulsory when they join Alstom. The "E&C Class" of three hours face to face has already been given to a total of 4,417 targeted employees over the two year campaign. The E&C team relies on a community of over 220 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 to be a contact point for questions about ethics and compliance. The compliance team continues to work with the ambassador community to fully integrate them into the Integrity Programme. All Regional 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 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, magazines),
  - update of the 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 new campaign of posters to give visibility to E&C on sites "When it comes to integrity, I'm on board",
  - 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 compliance team, to highlight the importance of compliance activities in the Region and also to help fully integrate the 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.

On 12 September 2011, the Alstom Integrity Programme was awarded a certificate from ETHIC Intelligence, a certifying body specialised in the field of ethics and compliance policies and, in particular, in matters of prevention of corruption. In May 2014, the programme received a new certification following an audit of the procedures in various countries and on the recommendations of international and recognised anti-bribery experts. The ETHIC Intelligence Certification Committee concluded that Alstom's anti-corruption compliance system is designed and implemented in ways which correspond to international best practices. Alstom has submitted a yearly update on its compliance initiatives in 2016 as part of its ongoing obligations under the Ethic Intelligence certification.

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 top managers requested to complete the questionnaires were identified by Human Resources and discussed with the Chief Compliance Officer. The fifth exercise was launched on 25 October 2016. As in the previous year, the format of the questionnaire was streamlined to facilitate the responses *via* a web-based survey. This has allowed the E&C Department to further widen the scope of managers responding for this edition (more than 400 managers answered this year). The questionnaire has been adapted and tailored to focus on the key areas of development in the upcoming year: the Alstom Alert Procedure and the E&C Ambassador community. Based on the responses, the E&C Department provides to the CEO and the Ethics Compliance & Sustainability Committee members a summary of employee feedback and statistics on the responses to the online survey. Then, the E&C Department prepares an action plan.

Alstom has implemented a Disciplinary Committee as the management body within the company 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 SVP Human Resources and the Chief Compliance Officer. This Committee met three times in 2016/17.

The Committee has adopted a formal charter which governs its activities and maintains minutes of meetings and a register of all disciplinary decisions made to ensure uniformity and fairness. Every accused employee is entitled to the right to be heard and any disciplinary actions are presented to the employee by the compliance or human resources team, and in some cases directly by senior management, to ensure a complete understanding of the measures taken and their justification.

Moreover, the Ethics & Compliance team has begun rolling out a communication plan to raise awareness of the disciplinary measures within the Company.

Respect of Human Rights

The respect of Human Rights is one of Alstom's fundamental commitments. Alstom is particularly respectful of the laws governing, inter alia, human rights and labour, health and safety standards, protection of the environment, corruption and bribery, fair competition, taxation and the accurate communication of financial information. 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 guiding principles of the Organisation for Economic Cooperation and Development (OECD), the United Nations Universal Declaration of Human Rights and the International Chamber of Commerce (ICC). The charter that Alstom's suppliers and contractors are required to adhere to, stipulates that they must be compliant with these principles as well as the national or local regulations applicable to their activities (see section "Relationships with suppliers and contractors").

Alstom is a member of the United Nations Global Compact (UNGC), promoting the respect of human rights within its sphere of influence. In September 2016, the Alstom Chairman and CEO renewed his and the Company's commitment to the 10 principles of the UNGC.

In the day-to-day management of its activities, Alstom strives to strictly comply with its commitments in its sphere of influence:

- regarding human resources, Alstom applies a policy based on respect for individuals, their dignity, rights and individual liberties, and promotes their involvement in Company life. Alstom promotes all forms of dialogue with both individual employees and their representatives. This policy is integrated into the management system of the company;
- 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. The E&C Alert Procedure also records anonymously potential cases of discrimination. 12 potential cases of discrimination have been raised through this procedure this year. All cases were investigated, measures were taken and sanctions imposed by the disciplinary committee in all substantiated cases when judged necessary (oral warning, reminder letter, dismissal);
- human resource 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;
- as part of the tender management process, the assessment of integrity and ethics issues, in relation, in particular to the country of project implementation, is amongst the actions undertaken by the Tender Control team. This department can arbitrate on potentially sensitive aspects when assessing the projects, because any deviation may have significant consequences on the feasibility of the project, its financing or implementation, and on the Company's reputation.

In order to consolidate its human rights protection system, and in the context of the application of the French law on Duty of vigilance, Alstom is formulating its own human rights vision and is creating a program to identify and manage potential risk situations. The Company aims to progressively build and deploy a pro-active human rights management process in its critical location countries in the course of the next few years.

This year, several studies have been carried out in this direction:

- a first study has been carried out to identify human rights directly or indirectly applicable to the Company, based on the stakes defined by the major international bodies (ILO, United Nations), and through internal interviews performed with representatives of the main central support functions: tender control, ethics, human resources, sourcing…;
- a mapping of the countries in which the Company operates was established on data from the risk consulting firm Maplecroft, in order to identify the countries that are considered to be at "high" or "extreme" risk. Countries were then classified according to different criteria: type of activity (construction, manufacturing, etc.), headcount, level of activity, history of presence, the concerns of our stakeholders. The new construction and fabrication sites, for which Alstom has to select local suppliers and subcontractors, have been identified as priorities in our analysis.

Alstom already implements specific control measures when necessary. For example, in Qatar, as part of the project to build a tramway line in Lusaï, Alstom performs inspections of the living conditions of contractors' migrant workers and undertakes audits of their conditions of employment (working conditions, wage payments, immigration conditions, etc.). Next year, Alstom will carry out an assessment of the specific impacts of its activities in the priority countries identified, with the Alstom local network. The initial return on experience will enable the Company to optimise its tools and practices in order to continue deploying and harmonising its action plans in all the countries in which it is present.

Involving employees in the Company

The development of a common culture is important to hold Alstom's employees together, which is done through:

- a set of Alstom's common values and ethical principles: Alstom's three core values – Team Trust, Action – contribute to the sense of belonging. Awareness-raising actions and trainings at local level are put in place. As part of the performance review process, the manager, after in-depth discussion with the employee, evaluates how values are put into practice. Should improvement be identified during the performance review discussion, a specific development plan will be built and its implementation will be monitored with the support of the Human Resources team;
- four leadership dimensions – Entrepreneurship, Collaboration, Agility and Global vision–, based on these core values. These leadership dimensions, presented to the management in 2015 and still under implementation, are defined as core behavioural competencies for all employees. Specific actions to promote, assess and develop these four dimensions are currently being designed and implemented. For example, in Latin America, as part of the local transformation programme launched in 2015, workshops were conducted by internal facilitators that involved all Managers, Engineers and Professionals (more than 1,000 people). They focused on driving cultural change by aligning on Alstom Leadership dimensions, boosting the leadership of each employee (Entrepreneurial mind-set), and sharing a common vision;
- action plans to promote this involvement in the life of the Company – some major actions are detailed below – measured through specific indicators;
- 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 projects that directly benefit communities located near the company's presence around the world.

Well-being policy

At site and country levels, specific programmes are in place to improve employees' health and well-being (see section "Health and Safety awareness programs) and balance between personal and professional life (see section on "Equal Opportunity").

As an example, Alstom has received the Top Employers Spain 2016 certification, which confirms that it is one of the country's best companies to work for.

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, and to have open negotiations with employee representatives where they exist. In each country where 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 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. Nearly 10,000 employees were eligible for this remuneration scheme at 31 December 2016.

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 13,000 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 its initial public offering and first listing, Alstom has implemented five capital increases reserved for employees and a plan to allocate free shares to all employees (May 2006). After several years without such plans, due to 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.

The Board of Directors approved on 17 March 2016 and on 17 March 2017 new programmes of performance shares. Respectively 957,975 and 1,022,400 shares have been granted to around 800 employees around the world, with a vesting period of three years and based on two internal and one external performance conditions, 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 2 years vesting period, was implemented on 23 September 2016, known as "We are Alstom – Plan 2016".

At 31 March 2017, the current and former Alstom employees held 1.21% of the Alstom share capital, either directly or through mutual funds.

Indicators to measure involvement

Regular indicators to measure motivation include overall resignation rate, absenteeism and results from opinion surveys.

Resignation rate

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
Europe	2.0%	3.6%
Middle East/Africa	4.9%	7.0%
Asia/Pacific	8.9%	9.2%
Americas	4.8%	6.5%
ALSTOM	**3.2%**	**4.9%**

Source: Alstom HRIS.

The resignation rate has increased during 2016/17 in Europe, Middle East & Africa and America. This can be explained by the more limited opportunities for internal career evolution after the disposal of the Energy activities to GE, the increased proportion of employees in Middle East Africa and the economic situation in Latin America.

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 is globally stable this year, although with significant variations from region to region. This is the second year that the absenteeism rate is gathered at Group level. The data shows that "Medical or sick absence due to personal injury and disease" accounts for 92% of total number of absence hours; appropriate actions and initiatives will be taken progressively 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, several local initiatives have already been implemented to reduce the absenteeism rate. For example, in Germany, a company doctor is present full-time in the office, while support from on-site psychiatrists is in place to identify potential burn-out symptoms. In addition, yoga courses and back exercises are available to employees. Moreover, a process has been put in place to reintegrate employees who need adapted workplace equipment. Furthermore, discussions are conducted on a monthly basis at management level to raise awareness of the cost of absenteeism.

Absenteeism Rate	2015 (1)	2016
Europe	3.2% (2)	3.2%
Middle East/Africa	2.2%	2.0%
Asia/Pacific	0.8%	1.5%
Americas	1.1%	1.9%
ALSTOM	**2.7%**	**2.7%**

Source: Social survey conducted in 24 countries (excluding South Africa) representing 92% of the Company's total headcount.
(1) 2015 data was covering 20 countries (excluding India) representing 88% of Alstom total headcount.
(2) 2015 data was updated following a change of the calculation method in France.

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 target 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 a 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. The next engagement survey is planned for autumn 2018.

MANAGING CAREERS AND DEVELOPING COMPETENCIES

Alstom is a high-technology company that handles large-scale, complex projects over the long-term. The quality of its teams, their skills and their commitment are crucial to its overall success.

Talent management remains a priority in 2016/17. Talent Management organisation aims to support Alstom in its talent development initiatives with a specific focus on diversity, talent pools and the development of all its employees.

It is based around three pillars:

- talent acquisition;
- career management and talent development;
- learning solutions.

The network for Talent Management includes Talent Management teams of the regions and the headquarters.

Talent Acquisition

The Talent Acquisition overall objectives for 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, territory demographics, societal views and customer base;
- develop & implement an attractive Alstom employer brand and an effective employer value proposition;
- contribute to effective resource planning & processes, as well organisational transformation and talent mapping.

The way Alstom attracts, engages and retains talent has been redefined in 2016. A new tool for the management of applications has been implemented and a centralised recruitment team based in India has been recruited. The focus is put on social media and communication. A training module has been designed to improve our internal evaluation & interviewing skills. This training also includes an important element of ethical & legal guidelines, to ensure equal opportunities in the candidate selection process.

Developing active relationships with universities and developing a young talent value proposition

Alstom 2020 Strategy aims for a more diverse workforce, representative of its organisation, values, territory demographics, societal views and customer base. This diverse workforce must also include young talents.

For example,

- in Italy, Alstom Services business has developed a partnership with the ELIS school, which provides specific technical training in railway maintenance to post bachelor students. The signalling departments in Bologna and Bari have also agreed on a partnership with the ITIS Cuccovillo school for specific technical training in electronics;
- In India, the Young Engineering Graduate Programme (YEGP) was implemented in 2015 to hire young talents, with strong support from, and relationship with, key universities. 131 young Engineering graduates were on-boarded in 2016/17. To retain and develop them, a one month detailed induction has been set up, involving periods of short duration in a range of departments. The progress of their development is closely monitored;
- In France, Alstom has welcomed over 140 apprenticeships and 260 trainees on its sites. Partnerships have been set up with 12 key engineering schools in order to develop close relationships (participation in R&D programs, target presentations to the students, first access to trainee positions at Alstom...).

"Millenials" – or those born between 1980 and 2000, are now entering employment in vast numbers. By 2020, they will form 50% of the global workforce and will represent 75% of the workforce by 2030 [(1)]. In order to identify, attract and recruit this particular talent group, Alstom has created a new function that will coordinate university and school relationships across the world and will provide a central toolkit and support for its Regions.

A global mapping of current Alstom practices regarding relationships with universities, as well as an external analysis of industry best practice was undertaken during 2016. Relevant tools for future young talent strategies are now proposed. Alstom is now present on the social networks used by the Millenials (*e.g.* Facebook, Twitter, LinkedIn…). Employee testimonies, information about our projects and key events for the Group are published on these pages.

Integrating new employees

Numerous actions are undertaken to facilitate the integration of new recruits into the teams they are joining.

Onboarding & induction processes are in place at all Alstom sites. To ensure a homogeneous new employee experience across all the Regions, a global process will be designed to introduce Alstom whilst taking into account local specificities. This process will be an integral part of the recruitment and internal mobility practices.

Career management

Internal mobility

In Alstom, employees are encouraged to take ownership of their development and to manage their own career in collaboration with their line manager and Human Resources manager. This allows each employee to play a key role in his/her own performance and in his/her advancement.

All 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 common processes and policies across Alstom.

(1) "Millenials at Work", PwC 2011. Bureau of US Labor statistics, 2014. Pew Research Center 2015.

To enhance internal mobility and stimulate employee applications, Alstom effectively motivates all categories of potential internal candidates. Promoting a strong employer brand in this way has helped position Alstom as a globally recognised benchmark employer, capable of both attracting the best talents and mobilising all employees around shared values (Trust, Team, Action) that are in line with Alstom's strategic development.

With the Human Resources Information System all Alstom employees have access to all positions open within the Group (around 600 on average) and can apply on line.

In support to the individual action, regular resourcing forums ("Talent Forums") are held in most large countries where Alstom is present to better 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 our business and customer needs. Indeed, during the 2016/17 fiscal year, more than 500 employees moved from one country to another. Alstom also encourages cross-function mobility: 4.8% of our employees have changed their area of activity during the year (around 1,380 employees).

Development programmes

Development programmes have been built to address four different populations: technical experts, project managers, support functions and managers.

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 in order to identify all technical experts, provide them with appropriate personal development opportunities and ensure that technical expertise remains in line with the evolution of the market and Alstom strategy. Alstom benefits from a network of around 380 Senior Experts and 40 Master Experts.

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 the Alstom 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).

Skills transfer programmes are implemented specifically for Senior & Master Experts in order to develop technical expertise in the organisation.

Project Management development programmes

In 2016 Alstom launched a successful pilot programme aimed at bringing a recognised external vision to the assessment and development of the company's project management skills. As of today, 11 Project Managers (PM) have been certified. The programme will be gradually rolled-out to the broader PM community.

Support function development programmes

Alstom continues to deploy a strategy of career management for several functions: Finance, Human Resources, Environment Health and Safety, Legal, and Communications, in order to develop functional expert communities. These communities are managed at central level. In addition to the management of communities, operational functions have also been considered and maps of competencies have been designed for the Quality, Sourcing, Supply Chain, Industrial and Engineering communities for which a competency model has been issued.

Management development programmes

As regards management and leadership skills:

- the ALP ("Accelerated Leadership Programme") continues with a focus on diversity. In 2016/17, 12 different nationalities were represented among the 24 participants and 21% were women. The objective is to focus on "Leadership": Leading self – leading others – Change leadership and transitional leadership. Alstom also monitors the previous participants' evolution in the Company;
- Additional Regional Management & Leadership programmes are also proposed in Middle-East (M3 program) and Africa and Asia Pacific (FMP – Future Managers Program).

Leadership programmes are complemented by the management training modules proposed by the Company.

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 March 1st:

- objective setting and annual performance interview;
- people reviews;
- competencies assessment and evaluation.

The PMC adapts to the business priorities and leads to improvements.

Alstom proposes that managers and employees follow an e-learning module focusing on performance management, definitions of promotability and the structure of development plans.

Objective setting and Annual performance interviews

Objective: All employees benefit from an annual objective setting and performance interview.

The aim is to discuss and agree on specific individual objectives. It takes place at the beginning of each fiscal year. During the annual performance interview at the end of the fiscal year, the manager and the employee review the achievement of these objectives. For people eligible to a Short Term Incentive (STI) plan, it could impact the amount of the plan.

All managers, engineers and professionals are covered by this process on a mandatory basis. To increase the efficiency of this process, the training of managers related to people development has been strengthened.

At 1 May 2016, 96% of the managers, engineers and professionals have had a performance interview (13,164 out of 13,760).

The process is optional but recommended for all other employees.

People Reviews

People Reviews allow the current and future needs of Alstom (based on a competency mapping) to be matched with the available competent resources, and career paths to be set.

This process is also 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 named People Review Feedback, integrated into the PMC.

Alstom includes most of its managers, roughly 13,800 persons, in people reviews carried out at sites, Regions, functions and Group level as a whole.

Competencies identification & evaluation

Alstom has launched a major program of skills identification and assessment. A competency matrix will be assigned to each job code. Their assessment will allow the better allocation of resources, a better identification of training needs and the development of more relevant individual or collective development programs.

In 2016, the first specialisms concerned are Quality, Human Resources, Project Management and 80% of the Engineering function.

Skills assessment will be fully integrated into the PMC in 2017.

Learning Solutions

Alstom Learning

Learning is a cornerstone of Alstom's people development strategy. That is why Alstom Learning proposes top quality and mostly 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 127 modules (face to face and virtual classrooms) addressing core business topics: Security, Environment Health and Safety, Manufacturing, Engineering, Project Management, Supply Chain, Sourcing, Finance, Legal, HR, Leadership and Management, Ethics & Compliance.

Main missions of the Learning team include:

- define and share yearly learning orientations in line with business strategy;
- design, build and manage a central and global learning offer and deploy it worldwide in order to develop employees and serve Alstom goals;
- animate and facilitate the sharing of best practices and networking into the Learning community;
- identify and train internal trainers across the organisation.

The learning orientations established for fiscal year 2016/17 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.

A new Learning Management System was implemented in September 2016 in the global HRIS. This module will allow better administration, documentation and tracking of the learning offer.

Objective: shape the competencies that Alstom needs, taking the employees' expectations into account.

	2015 (*)	2016
Percentage of employees who have had training	68%	76%
Average number of training hours/employee	14 h	19 h
Total number of training hours	388,897 h	584,600 h

Source: Alstom social survey conducted in 25 countries representing 94.5% of Alstom's total headcount.
(*) 2015 data was covering 20 countries (excluding Israel) representing 93% of Alstom total headcount.

The percentage of employees trained and the average number of training hours per employee has increased during fiscal year 2016/17. The main reasons are:

- the necessary development of competencies in the developing regions and countries (India, MEA);
- some activities or functions (Signalling activities and/or functions like Finance, Human Resources, Legal, Sourcing) concentrating in 2015/16 on the transition from GE/the integration of former GE Signalling did not conduct their training plans that year. A "catching up effect" could have an influence on the figures.

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 throughout the year.

Two levers of internal knowledge transfer are being promoted:

- mentoring or coaching initiatives: local or central programmes of coaching are developed responding to individual needs. A focus was put in 2016 on Mentoring programmes. Alstom University put in place an e-learning tool explaining what is coaching, why and when it could be put in place and what are the role and responsibilities of the mentor and the mentee;
- supporting 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, but 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 2016/17, an additional 260 people have been trained to be trainers and more than 50% of training sessions at Alstom have been delivered by internal trainers. An Internal Trainer Policy is currently under design defining the role of the internal trainer and how they are identified.

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 targets to reach 25% of women amongst managers & professionals and to ensure that the nationality of middle management and the talent pool reflect Alstom's business worldwide. 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. In February 2017, a "Diversity & inclusion" Director was appointed. His role is to promote diversity and inclusion within the Company by leading corporate initiatives and supporting & coordinating local initiatives.

Since 2015, the following measures have been validated and implemented:

- diversity as an objective for the Human Resources population;
- action plans in countries;
- short list policy: 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.

In order to reinforce the diversity of its population, the Company acts at local and central levels. In addition, through its local presence and its ability to offer of high-quality jobs and career development, Alstom is a strong contributor to the development of the countries in which it is located.

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 attract 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.

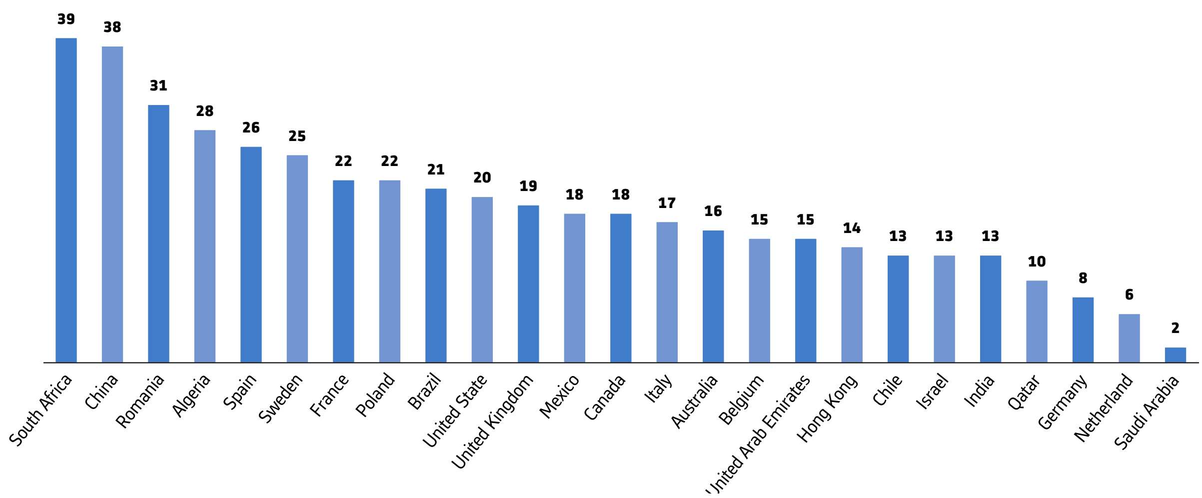
INDICATORS RELATED TO WOMEN BY CATEGORY

	2015/16	2016/17
Percentage of women in the workforce	16.9%	17.1%
Percentage of women: managers & professionals	19.9%	19.9%
Percentage of women: executives & senior managers	13.1%	13.0%
Percentage of women: senior managers	11.7%	11.8%
Percentage of women: executives	20.6%	20.6%
Percentage of women trained in training sessions (*)	15.7%	17%

Sources: Alstom HRIS.
(*) 2016 Social survey conducted in 25 countries representing 94.5% of Alstom's total headcount.
2014/2015 data was covering 21 countries representing 93% of Alstom total headcount.

The proportion of women in the headcount varies greatly between countries.

PERCENTAGE OF WOMEN IN MEP (*) PERMANENT POSITION PER COUNTRY (AS OF 31 MARCH 2017)



Source: Alstom HRIS.
(*) Managers, Engineers and Professionals.

Promoting diversity remains an important task. After a good start in FY 15/16, with the creation of the new Alstom scope, the progression during FY16/17 was limited despite the various local initiatives.

Supporting initiatives dedicated to promotion of women

In addition to actions launched in the previous fiscal year, Alstom requested this year all country organisations to define action plans to promote the employment of women. For example:

- In France, Alstom is member of "Elles bougent" (Girls on the Move), a non-profit organisation which promotes industrial jobs to high school students by organising exchanges with female students and Alstom engineers and offering tours of workshops. Each year Alstom participated in the Forum "Elles bougent pour l'industrie en Rhône-Alpes" and to the forum "Feminine Networks and careers". Spain has followed this initiative and started a collaboration with the "Elles bougent" Association in Madrid, to promote technical and engineering careers amongst women. Alstom also supports the development of this organisation abroad by chairing the international commission.
- In line with the Alstom 2020 strategy on diversity, Alstom established a professional relationship with Valore D (http://valored.it/en) – the first association of large companies formed in Italy in order to support female's leadership in the corporate world. This initiative will give the opportunity to support, retain and motivate Alstom's talented female employees who are in the Company's key roles. These employees have access to seminars, events and other workshops dedicated to supporting female professional growth, establishing work-life balance and promoting diversity.
- In Poland, a Women's Forum has been created totalling 150 members. The main pillars of activity are: Personal & professional development, Women's Health Care, Working Mothers support, Work life-balance, Networking, and CSR (Volunteering).
- In 2016, the UK piloted interview training to make managers aware of unconscious bias, particularly around diversity matters. The training raises awareness of the need to ensure that equal opportunities are given to all.
- In Morocco, a steering committee has been put in place. It set up 5 key measures on Gender, Cultural and Educational diversity. One of the measures is to create privileged relationships with Sub-Saharan Engineering schools.
- In the USA, Alstom Women of Excellence (AWE) was created to empower women to grow into strong leaders and drive diversity., AWE's vision is to provide a forum for advancement, mentoring and leadership opportunities for capable women to achieve the Alstom 2020 goal of 25% Women Leadership.

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 whenever possible (Saint-Ouen or Villeurbanne in France).

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, maintenance in 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 various situations relating to disability and to help prepare job interviews and the integration of people with disability.

PERCENTAGE OF PEOPLE WITH DISABILITIES

Objective: measure the degree of integration of people with disabilities in total workforce

Percentage of employees with disabilities	2015 (*)	2016
Alstom	2.6%	2.4%
Europe only	3.3%	3.4%

Source: Alstom social survey conducted in 25 countries representing 94.5% of Alstom's total headcount.
(*) 2015 data was covering 21 countries representing 93% of Alstom 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. For instance, the three-year action plan implemented in Brazil includes a "Disabled people inclusion programme". This programme includes the definition of an action plan to achieve the country's target number on employment of disabled people (5% of total employees), accessibility studies and partnerships with institutions.

In France, the percentage of people with disabilities is regularly increasing: 7.16% in 2014, 7.31 in 2015 and 7.37% in 2016 (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, the network has developed a strong relationship with Sourcing network to increase the sourcing of products or services from companies dedicated to disabled people employment (a specific indicator to monitor deployment will be implemented in buyer objectives at Saint-Ouen).

Actions are organised not only to recruit disabled people but also, for example, to help them keep their jobs in case of difficulties, and supporting health evolution by adapting work stations or put in place adapted training. More than €60 thousand was spent in 2016 on the adaptation of workstations for all types of disability. Communication events for managers and all employees are deployed throughout the year on each site.

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.

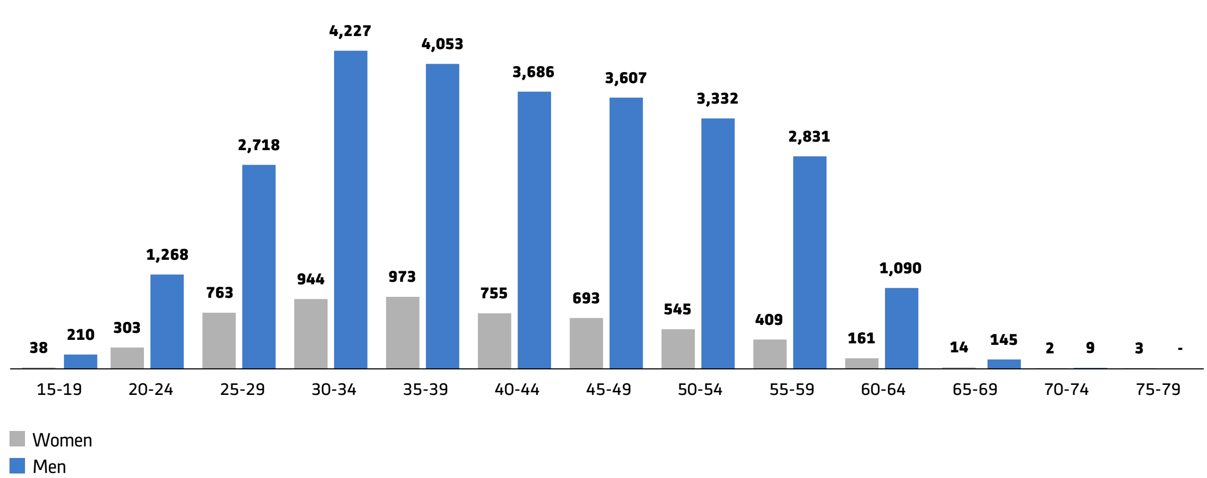
Two indicators measure diversity:

- 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 15% of non-French Europeans and 9% of employees from the rest of the world;
- number of expatriates: this has increased from 365 in December 2014 to 589 in March 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 India, where major projects are under way.

Managing senior careers

According the chart below, employees aged over 45 account for around 40% of the Group's headcount. The women/men breakdown by age is identical.

AGE PYRAMID BY GENDER – MARCH 2017

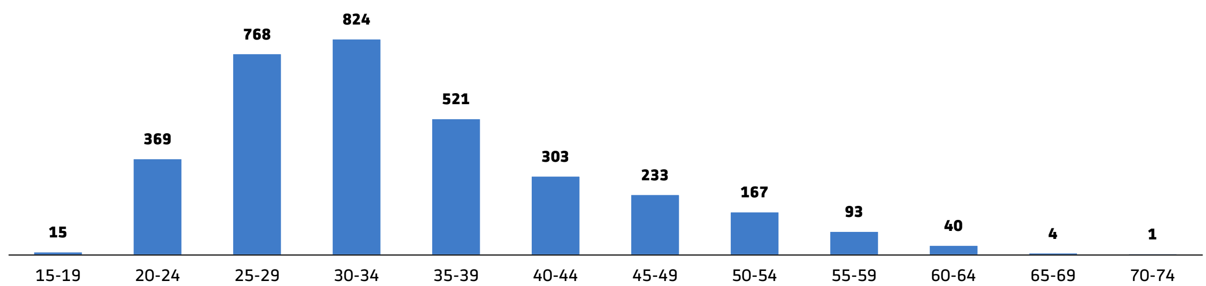


Source: Alstom HRIS.

538 people aged over 45 were hired over the fiscal year, corresponding to 16% of the new permanent recruits.

(1) Source: DOETH – French mandatory declaration of disabled workers.

AGE PYRAMID OF NEW HIRES 2016/17 – PERMANENT CONTRACTS



Source: Alstom HRIS.

EMPLOYEE RELATIONS

An internal survey (named Social Survey), conducted in 25 countries representing 94.5% of Alstom's total headcount, showed that 70.7% 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. The European Works Forum (EWF) meets on a regular basis in various formats: three select committees and three regular plenary sessions were held during 2016. The exchanges enabled the business situation and the impact on the workforce to be shared. Most meetings focused on Business updates and the impact on workload, Market updates, Product strategy and Innovation.

In 2016, around 100 agreements were signed in Alstom's most important countries. These agreements are 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;
- Compensation;
- Unions rights.

One objective of the new agreements or addendums is the harmonisation of Alstom benefits offered at country level. One of the focuses this year has been to integrate GE Signalling employees into Alstom's collective agreements as at the Florence site in Italy for example

The review of compensation is also a topic covered in these agreements examples being the UK or China where issues such as the rate of salary increase or the minimum wage levels were reviewed. In Brazil, a profit sharing agreement has been signed, covering 84% of the country headcount.

Diversity has also been a key subject this year. In France, addendums have been signed at Alstom Transport SA entity level (covering 8,459 people) on disability as well as on diversity and the social mix. In China, a specific collective contract has been signed regarding female employees' protection. It is covering topics like employment position, scope of work, compensation & benefits, working hours and leave during pregnancy.

Management of restructuring impacts

The agreement between Alstom and the European Metalworkers' Federation (which has become IndustriAll since that date), first signed in February 2011, 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.

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 some 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 new 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 new approach strengthens customer intimacy. More generally, it serves to implement the "Preferred Partner" axis of the Company strategy.

Customer relationship is digital

Launched in 2015, the Alstom Customer Portal is a website that gives customers access to a wide range of self-service facilities such as online 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.

Today, over 1,000 active users from 220 customer companies across the world use the Customer Portal 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: 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 2016 for the decision to develop a new "Value Selling" training course for Alstom sales managers specifically and all customer-facing roles more generally. A pilot course was then launched in early 2017.

The course gives 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" with each customer.

The course will be deployed in the future to all Alstom's customer-facing population world-wide. Ultimately the goal of this course is to develop behaviours that contribute in a significant way to position 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.

The objective is to achieve an annual average Net Promoter Score (NPS) which is consistently above of 8 out of 10 through to 2020. In 2016 the average NPS score over more than 100 Projects surveyed was 8.1 *versus* 8.0 in 2015.

In late 2016 Alstom management decided to place significantly greater focus on the results of these surveys and in particular to address swiftly any surveys with low Net Promoter Scores. An escalation process was put in place to bring to the top management attention all projects with a Survey NPS below six and the directive to define a remedial action plan as the basis for swift feedback to the customer. The action plan addresses each topic of dissatisfaction expressed in the survey.

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;
- taking 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 often may 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.

RELATIONSHIPS WITH GOVERNMENTS, INTERNATIONAL ORGANISATIONS AND THINK TANKS

Contribution to the public debate on sustainable development policies

Alstom wants to contribute 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,
  - removal of trade barriers for environment-friendly goods and services,
  - 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,
  - the uniform implementation and mutual recognition of standards and norms between different jurisdictions (certification and approval) in order to reduce costs;
- 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,
  - increased use of innovative instruments by financial institutions in order to leverage private investment, notably through risk-sharing, encouraging governments to support and facilitate this;
- the importance of long-term, transparent and stable policy frameworks to support investment in sustainable development, particularly through:
  - the importance of regulations setting targets for reducing CO_2 emissions from transport,
  - the need for 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 fuel transport and individual transport,
- balanced regulation and standard-setting to support a broad portfolio of sustainable, low carbon, high-efficiency technologies and their effective application,
- robust standards on energy efficiency and incentives to improve it, which play an important role in driving investment in transport technologies,
- growing interest in improving the resilience of transport infrastructure, especially in response to climate change impacts.

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 new global climate change agreement obtained at the Paris COP 21, major economies need to make ambitious CO_2 emission reduction commitments to drive the transition to low-carbon society. Transport should become a major area of its implementation.

Participation in organisations and high-level initiatives

Convinced that the Sustainable Development goal will be reached only if all parties concerned 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, designed 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.
- Furthermore, Alstom continued to participate actively in the United Nations Framework Convention on Climate Change (UNFCCC), participating in COP 22 in Morocco, in November 2016 to show how its technologies support the transition to a low-carbon society.
- Alstom participates in the Sustainable Low Carbon Transport Partnership (SLoCaT) initiative bringing together international players committed to sustainable mobility and supports the PPMC, an open and inclusive platform created to reinforce the position of actors in favour of sustainable transport.
- In 2016, 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.
- Since March 2015, Alstom, has been a member of the responsible sourcing sector initiative Railsponsible, together with Deutsche Bahn, Bombardier Transportation, Knorr Bremse, Nederlandse Spoorwegen and SNCF, and joined by SKF and ABB in 2016 and 2017 respectively (see more details in next section "Relationships with suppliers and contractors", page XX).

At regional/country level

- Alstom is a member of the Union of the European Railway Industry (UNIFE), which represents the sector to 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 reduction targets of greenhouse gas emissions.
- Alstom is also contributing to the platform for electromobility, a voluntary grouping of 25 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 also 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.
- Finally, Alstom joined the Hydrogen Council, an industrial grouping of like-minded companies, whose main objective is to promote hydrogen and fuel cells as clean and efficient technologies.

In 2016, Alstom continued its involvement in various bodies and contributed to discussions on 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), etc. This active participation enables Alstom 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 centers of excellence, particularly in Panama, Morocco and South Africa. The purpose of these centers 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.

RELATIONSHIPS WITH SUPPLIERS AND CONTRACTORS

Sourcing represents over 60% of Alstom's turnover and therefore plays a strategic role with direct impact on the Company's performance. With more than 15,000 suppliers worldwide, trusting and close relationships between Alstom and its suppliers and subcontractors are thus a key success factor for projects and customer satisfaction. This is why Alstom has been integrating sustainable development in its sourcing activities for over 10 years. This allows its exposure to risks to be reduced whilst generating many innovation opportunities and facilitating change management.

The sustainable sourcing approach aims particularly at making these relationships durable and at continuously enhancing their quality. Alstom pays special attention to the development of the Corporate Social Responsibility (CSR) performance of its suppliers and its contribution to the sustainability of the railway supply chain.

The different axes of this approach are stated in Alstom's Sustainable Sourcing Policy which is signed by the Sourcing Vice President of the Company and available on www.alstom.com.

Risk reduction in the supply chain

Commitment and qualification of the suppliers

Alstom drew up its first sustainable development Charter between Alstom and its suppliers and subcontractors in 2007, in order to ensure its suppliers commitment towards social, environmental, ethical, health and safety-related requirements. Through the signature of this charter, Alstom's suppliers commit to respect the principles of the United Nations General Declaration of Human Rights, the fundamental conventions of the International Labour Organisation (ILO), the guiding principles of the Organisation for Economic Cooperation and Development (OECD), the rules of conduct of the International Chamber of Commerce (ICC) and the values set out in the Alstom's Code of Ethics. The latest edition of the charter was published in 2015 and includes a clause on the conflict minerals topic.

Alstom has set up the objective that all its suppliers and contractors commit to respect this charter. In a first phase, the efforts are focused on the key suppliers with whom Alstom has a yearly turnover superior to €100,000. As of 31 March 2017, over 70% of these suppliers (representing 90% of purchasing volume) have signed this charter. Alstom has also included conformity with the charter in its general purchasing conditions.

Furthermore, as part of the qualification process, the audits led by the purchasing and quality managers include questions related to the Corporate Social Responsibility activities of the supplier. In January 2017, the qualification questionnaire was updated to include verification of the sustainable development Charter's signature; respect for minimum social practices; more precise questions regarding waste management; and measures related to the reduction of greenhouse gas.

Risk mapping

With a large number of sites worldwide, the Company gives precedence to local suppliers and these are often medium sized companies. Alstom therefore works with a panel of diverse suppliers. As a consequence, it is necessary to prioritise the evaluation of the CSR performance of those suppliers which represent a particularly high level of risk to the Company. With this as objective, a mapping of supplier CSR risks is performed every year according to three criteria:

- product family;
- supplier's country;
- volume of purchases by Alstom.

The risk level for each product family (based on level of energy consumption, risks of chemical pollution, employees' health and safety issues) and each country (based on risks of corruption, political instability, respect of human rights and ecological awareness) is defined by an external company. This mapping allows the suppliers to be prioritised.

Evaluation of the suppliers and corrective action plans

The CSR activities of Alstom's suppliers are assessed according to environmental, social and ethical criteria and the way they apply these to their own suppliers.

Undertaken by EcoVadis, a company specialised in sustainable development evaluations, these assessments are led by a team of CSR experts which analyses the supplier responses; the uploaded evidence documentation and information published on their activities. The evaluation system relies on the United Nations Global Compact guidelines, the ISO 26000 standard and the Global Reporting Initiative. As of 31 March 2017, more than 480 suppliers have a valid evaluation which is less than three years old, representing 60% of the Company's purchasing volume done with these identified "at risk" suppliers. Alstom has the objective to have the assessment of the identified suppliers covering at least 80% of the spend done with "at risk" pool by 2020.

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 remedy 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 break the commercial relationship.

Sectorial initiative: Railsponsible

Alstom is working with stakeholders of the railway industry to improve sustainable development practices and to broaden the assessment of the supply chain.

Officially launched on 4 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 and SBB respectively joined the initiative in May 2016 and January 2017. For the fiscal year 2016/17, the Vice President Sourcing of Alstom has chaired the Railsponsible Committee, succeeding his counterpart from NS.

Focused on sustainable sourcing, this initiative of the European railway industry aims at improving the sustainable development of the supply chain through a common approach and the sharing of best practices, tools and processes. Under this framework, the members use the same supplier evaluation platform – EcoVadis – in order to measure their CSR performance. There are plenty of 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 September 2016, the Leadership Committee of Railsponsible unveiled its 2020 strategy made up of 3 main actions: Empowering staff and executives; providing training on sustainability and sustainable procurement; Building common programs with suppliers to address priority issues in the railway supply chain; Network expansion: connecting with key rail sector stakeholders to partner and promote a responsible railway supply chain.

Between March 2015 and March 2017, over 550 suppliers have been evaluated and have a valid evaluation *via* the EcoVadis platform [(1)].

In January 2017, Railsponsible joined the Sustainable Public Procurement Program led by the United Nations Environment Programme (UNEP). This partnership will allow Railsponsible to join a network of private and public actors aligned with the global movement to achieve the sustainable development goals set by the United Nations.

Integration of best practices and continuous improvement

Change management with the buyers

Alstom works with numerous suppliers across the world. Its 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 objective of this training is a better understanding of Alstom's sustainable sourcing and supplier evaluation requirements and their accompaniment in the setting-up of corrective action plans. To ensure broad participation in the countries where Alstom is located, the training sessions are organised both in the class-room and online. 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 2016/17: the complete training module dedicated to sourcing managers, and an introduction to sustainable sourcing delivered as short modules for buyers. As of 31 March 2017, nearly 90% of the sourcing managers – the priority target – have been trained. 66 buyers and members of the sourcing network have attended the introduction module.

Development of partnerships with suppliers

Alstom Alliance is the premium program of the strategic suppliers of Alstom that aims at developing a new collaborative approach based on three main axes: business development, industrial excellence and product & innovation. Its governance allows the assets of the suppliers to be highlighted and enables interfacing with Alstom in terms of strategic vision, localisation, industrial maturity, operational performance, product development and innovation. All the relevant trades and the top management are involved in the global animation of the program through its boards and steering committees. As of today, 34 partners are listed.

Furthermore, along the year, "Tech Days", "Suppliers Days" and related events are organised at Alstom's sites to acknowledge suppliers, like for instance in the United States, in Morocco and in France. These gatherings are opportunities to communicate the main stakes and axis of the sourcing policy of Alstom and to showcase innovative products realised in co-development. At the headquarters, in Saint-Ouen, the "I NOVE YOU™" award ceremony is an unmissable event that recognises and celebrates the best technical achievements in different categories. (see Chapter 1 "Description of Group activities", section "Research and Development")

Regarding partnership, Alstom collaborates with numerous small and medium enterprises (SMEs) around the world. In France, for example, since 2010 Alstom has been a member of the *"Pacte PME"* association which gathers 53 large private and public companies, 20 clusters and 21 professional organisations, the common ambition of which is to reinforce the relationships between large companies and SMEs. Within this association, Alstom leads supportive actions towards its SMEs partners on three main topics: innovation, pooling and international expansion. Since 2015, Alstom has sponsored 15 companies towards other large groups within the pooling platform, supporting these SMEs in the diversification of their customer portfolio.

Alstom participates in the annual supplier barometer of the *"Pacte PME"*, which measures the quality of relations with its SME partners, and obtained a positive opinion from its joint monitoring committee again in 2016.

Alstom, signatory of the Charter of Responsible Supplier Relations created by the entity *Médiation inter-entreprises*, obtained in September 2013 the "Responsible Supplier Relationship" label, which distinguishes French companies that have demonstrated lasting and balanced relationships with suppliers. This label was confirmed in October 2015. The new Responsible Sourcing standard, ISO 20400, and the "Responsible Supplier Relationship" label are converging and Alstom plans to renew its label for the second half of 2017.

Sourcing of sustainable products and services

Alstom has integrated, within its selection procedures, strong commitments to the reduction of energy consumption, which, if they are not attained, subject the supplier to penalties. Alstom continues its efforts by including, for example in respect of facility management, sustainable sourcing criteria in its specifications that are key elements of the award process. To support buyers in this approach, recommendation files which explain the sustainable development stakes and the selection criteria by

(1) According to internal instructions, suppliers CSR performance assessments are valid for three years.

product family are put at their disposal. Alstom fosters recourse to the protected sector on specific identified activities. The current perimeter, which is meant to evolve, notably includes printing, translations and the care of work clothes.

Alstom collaborates with partners in respect of " sustainable products " taking into account the life cycle of its solutions. The process of consultation includes ecodesign. This collaborative approach allows the selection and development of components and technologies that are more environmentally friendly. For instance, in 2016 Alstom undertook a deep analysis of the potential for recycling train seats. The continuous improvement policy and the cooperation with its suppliers already led to a 70 to 92% recyclability rate and a 81 to 100% recoverability rate.

Furthermore, as part of its continuous improvement approach, Alstom is working in close cooperation with its suppliers to identify and substitute potentially hazardous materials in line with the evolution of scientific knowledge and legislation (please refer to the section "Designing Sustainable mobility solutions", page XX).

Key indicators

	2015/16	2016/17
% of purchase amount covered by the referenced suppliers having signed the sustainable development Charter [(1)]	75%	90%
Number of suppliers covered by an assessment less than 3 years old	338	483
% of sourcing managers who have attended sustainable sourcing training (cumulative over three years)	76%	88%

(1) Not integrating the charters accounted for in the general purchasing conditions.

RELATIONSHIPS WITH LOCAL COMMUNITIES

Whilst being a global player, Alstom recognises the obligation to also act as a local player wherever it is operating, engaging with communities locally in order to nurture good relationships, an acceptance of its presence and demonstrate its long term commitment to the locations where it is present. Indeed the Company's various stakeholders – its customers; investors; employees; local authorities; and the local communities themselves – increasingly expect commitments from companies; in some countries (India, for example), legal obligations may even be in place.

Alstom undertakes its local community activities under the banner of "Alstom in the Community" which has two axes. One axis is the Alstom Foundation (see the following chapter) which is a centrally managed organisation, 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. The second axis has been developed during the fiscal year 2016/17, following a pilot phase during the previous year. This involves the management teams of all countries in which Alstom has more than 200 employees in the development of their own annual Country Community Action Plans (CCAPs) for the application of the Company's community investment policy. 21 countries developed CCAPs during this year. These plans are developed and managed locally and focus on issues related to the Corporation's community investment policy. The actions under each plan are decided based upon a local perspective of how Alstom can have maximum impact in addressing local needs.

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 which meet their expectations and needs.

The community investment policy is focused on three priorities:

- responding to local social needs;
- supporting development through education;
- supporting local economic development and industrial activities.

Responding to local social needs

Alstom seeks to make a positive impact on disadvantaged communities that are local to where it has a presence, improving their socio-economic standing through pragmatic dialogue and by encouraging employee awareness and employee involvement in various volunteer 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 harness this going forward and to explore how it can add value to such employee-led initiatives.

Overall, Alstom addresses social needs through community project support, help to disadvantaged individuals; and through its support to charities (donations, raising money, collecting items and volunteering).

A few examples of Alstom's activities in meeting social needs are listed below.

- 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 Foundation looks after abandoned children pre-adoption and those with parents with justice issues.
- In France, Alstom has entered into a partnership with the association "Sport dans la Ville" to provide disadvantaged youth from a Paris suburb with access to employment through sport. The Company will facilitate company visits, provide internships, mentoring and interview

coaching and organise sporting events. 35 Alstom employees have volunteered to help drive this programme; several French sites have entered into god-fathering partnerships with local organisations with the aim of preparing disabled people for the job market and even of presenting them with employment opportunities. The Company's role is to offer workplace familiarisation courses and internships, to participate in disabled people's recruitment forums, to adapt their workplace to meet their needs and to generally raise awareness of their needs and capabilities.

- In India, following an assessment of the likely social impact of the factory that the Company is building in Madhepura in the State of Bihar, it has entered into a partnership with the local Non-Governmental Organisation Pragya, to provide mobile health services to the rural villages surrounding the site. This involves an ambulance plus a doctor and assistant visiting each village at least twice per week. It provides consultations to local people who would otherwise have great difficulty in accessing them because of the lack of means of transport to the city. The mobile team also incorporates a teacher for the children of these communities who cannot get to a school; a library to provide books; and a computer to provide rudimentary understanding of information technology.
- In Ireland, The Alstom depot in Dublin regularly gives wood and pallets to a local club for retired working men which they use for making such things as garden furniture. The aim here is to keep local retirees active and engaged.
- In Spain, Alstom has entered into a direct collaboration with the Foundation Juan XXIII Roncalli which acts in support of disadvantaged people. Alstom bought food parcels and participated in sports events and other campaigns to raise money that will be used to help enhance the employability of disabled people.
- In the United Kingdom, the Defence Employer Recognition Scheme (DERS) encourages employers to support defence. The scheme encompasses bronze, silver and gold awards for employer organisations that pledge, demonstrate or advocate support to the armed forces community, and align their values with the Armed Forces Covenant. Alstom was awarded the silver award as a result of the support it gives to employees who are active in the Reserve or ex-members of the British Armed Forces and their partners/families by helping them transition back to civilian life in utilising their transferrable skills.

As regards charity support, Alstom is involved in charitable activities and fund-raising in almost every country 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, through its organisational ability, through 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 barbeques. 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 on a quarterly basis at the Company's Headquarters into which employees may put items which could be of value to disadvantaged individuals. 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 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. A notable example of fund-raising is the "Dare the Boss" campaign during which members of the management team were sponsored to undertake activities outside their comfort zone.

Supporting development through education

Alstom promotes education among young people through four primary activities: the development of individual employability, the promotion of key topics linked to Alstom values (*e.g.* the environment, diversity, human rights, STEM – Science, Technology, Engineering, Mathematics), the support of schools, and the partnership with colleges and universities.

Developing individual employability

- In Belgium, Alstom's site in Charleroi participates in a programme called "Alternance Training" whereby young people who have become reluctant to continue at school are encouraged to spend half their time in industry and half at school for a period of one or two years. The aim here is to motivate them to complete their education whilst preparing them for subsequent employment.
- In France, Alstom's Le Creusot manufacturing site is a founding member of the Employers Group for Integration and Qualification (GEIQ) which aims to create pathways to employment for those facing difficulties (*e.g.* young people with no or low qualifications, the long-term unemployed, people aged over 45 years) by promoting professional retraining and subsequent access to skilled job openings. In addition, GEIQ offers social support (accommodation search, access to mobility, fulfilment of legal or administrative procedures…) to help facilitate access to employment and improved employability on completion of the training. As part of this process, Alstom hosts each year, on apprenticeship or professionalisation contracts, a number of young people preparing for Diplomas or Bachelor qualifications and others, for training to become, for example, fitters or logistics officers.
- In several countries, Alstom has an apprentice program in place in several countries and often (as is the case in Brazil and Israel) it is focused on young people from disadvantaged or marginalised back grounds. 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.

Promoting key topics

- In France and Spain, Alstom has entered into 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 Morocco, Alstom has engaged with the project Tangier Express for the Environment which aims to develop environmental awareness amongst school children in the north of the country. Working together with the Mohammed VI Foundation, Alstom will monitor the implementation of an agreed action plan in seven selected schools in Tangier and Fez.
- In the United Kingdom, Alstom worked with Preston College to organise the event "Tomorrow's engineers' robotics challenge" aimed at introducing children to elements of design, build and programming of a robot. Alstom employees helped to organise and judge the contest, offering advice and assistance as required and promoting STEM activities as a future career. The competition included 13 schools with teams of up to ten children participating in a range of activities. In Birmingham, the Company participated in Tomorrow's Engineers Activity Day which aimed to highlight a broad range of engineering and STEM topics to several pupils from schools across the city. Meanwhile, in Liverpool, Alstom has been developing "STEM In a Box" which is aimed at making STEM accessible for different age groups by providing ready-to-use kit boxes.

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 the sites, by providing Alstom experts as guest teachers on selected topics, by facilitating internships, and by fulfilling other needs such as equipment provision or the renovation of school infrastructure. Examples of activities beyond these are presented below.

- In Chile, Company personal computers which are at the end of their useful life are given to the organisation "Chile Enter" which builds working computers by cannibalising old ones. These are then given to local schools in low income areas.
- In Romania, working in partnership with a social organisation, Alstom in Bucharest coordinated the collection of donations and clothes to be given to disadvantaged children at the beginning of the academic year, thereby providing moral and material support to get them started.
- In the United Kingdom, Alstom participated in the Manchester TeenTech event which is designed to help young people understand the professional opportunities in contemporary industry. Alstom employees spent a day working with school groups from around the North West of England and ran the "Train 2 Win" challenge which allows young people to experience the pressures and challenges of railway engineering whilst having fun and competing with other school teams.

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 or trainers, by participating in job fairs, and by organising workshops and site visits.

The following examples are worthy of particular mention.

- In Italy, Alstom's Bari site has established a cooperation with the Institute of Technical Education Cuccovillo, specialised in mechatronics, at which Alstom experts in the role of lecturers contribute 160 hours of lessons per year. Two students are then selected for on the job training in Bari site each year. Meanwhile, Alstom's Nola depot has created, at the "Institute of Professional Education Elis" in Rome, an "Alstom room" in which Alstom experts lecture as part of the course on industrial mechanics. Alstom participated in the selection of 18 course participants from all over Italy. These 18 will receive on the job training at the Nola site.
- In Mexico and in the United States, in order to create a pool of new talent for the future of the organisation and to help students to develop competencies, Alstom has developed internship programmes with a small group of selected universities whereby the Company provides internships to groups of students at or near to the end of their studies.

Supporting local economic development and industrial activities

The third axis of Alstom's community investment policy is local development, which is achieved mainly by supporting innovative local institutions and companies, and by cultivating the local supply chain. 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.

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 listed below.

- Alstom supports innovative start-ups and participates in two venture capital funds, Aster Capital and Evertec IV, which incubate start-ups working, *inter alia*, in the mobility domain.
- In Italy, Alstom participated in the "National Award for Innovation" organised by Modena and Reggio Emilia University. The Company provided two Alstom experts for the panel of judges which evaluated around 100 competing start-ups which presented their ideas and the business cases addressing the areas of cleantech and energy, information and communication technology, industrial solutions, life sciences and equal opportunities.
- In the United Kingdom, Alstom has launched the "Rail Grand Challenge" competition. Its aim is to generate and develop new innovations in rail transport whilst forging closer links between Alstom and UK businesses. Five SMEs were shortlisted for the final prize, with the winner receiving a £50,000 development grant. Standards were so high that Alstom has decided to pursue further development with all five of them.
- In Chile, The local Alstom managing director is mentoring a group of people that are initiating a private start-up. In doing so he is helping to create new entrepreneurs amongst those without the financial capacity to pay for advice.
- 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.

- Alstom seeks to support local enterprises wherever it operates and to develop a local industrial footprint to serve the local market. Particularly challenging in this respect is where the Company is building new factories in isolated areas, such as at Dunottar in South Africa and Madhepura in India. The contracts that these new facilities will be performing require substantial levels of local content, necessitating the development of a whole new supply base and the education of aspiring local suppliers on all aspects of what it takes to be a supplier to Alstom. This implies a significant amount of knowledge transfer and skills development from Alstom to the local companies.

More information can be found on www.alstom.com.

THE ALSTOM FOUNDATION

The Alstom Foundation, which is celebrating its 10-year anniversary in 2017, was created in order to share Alstom's success with disadvantaged communities situated in the vicinity of where Alstom has a presence, 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 151 projects to date, including the 18 projects selected in 2016/17. These projects, all of which 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 Company, through 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 respect of the earthquakes in Ecuador and Italy and Typhoon Lawin in the Philippines.

Whilst the focus of the Foundation in the past has been, and will remain, predominantly developing economies, its 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 socio-economic category has become predominant with 70% of the record 105 submissions in the 2016/17 cycle falling in this category. Within this category, the major sub-categories that have emerged are: education & schools; shelters and homes of the homeless and for orphans; skills development and employability; and encouraging social mobility.

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. These are summarised below together with an example of a project supported by the Foundation in respect of each SDG:

SDG	Focus	Examples of Foundation projects
1	End Poverty	Skills and employability development, India
2	End Hunger	Provision of training in sustainable agricultural practices, Vietnam
3	Good Health and Wellbeing	Provision of health clinics, Senegal
4	Quality Education	Renovation and equipping of a school to become a technical centre offering vocational welding and technical drawing skills, South Africa
6	Clean Water and Sanitation	Supply of solar powered water pumps, Indonesia
7	Affordable and Clean Energy	Installation of solar panels or micro-hydro plant to serve off-grid communities, Bhutan
10	Reduced Inequalities	Skills development primarily on women and the disabled, India
15	Life on Land	Encouraging environmental awareness and bio-diversity protection, Panama

The Foundation's Board of Directors includes eight members, five of whom are internal to Alstom and three of whom are external experts: Jean Jouzel – Climatologist, Director Emeritus for Research and the French Alternative Energies and Atomic Energy Commission (CEA) and a member of the ESEC (Economic, Social and Environmental Council); Jean-Michel Severino (CEO of Investisseurs & Partenaires; former Vice-President for Asia at the World Bank and a former CEO of the French Development Agency (AFD).; and Bernard Emsellem (Secretary General of the SNCF Foundation and former Director General of Sustainable Development and Communications at SNCF, the French State Railway Organisation). 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.

38 projects are active at the end of the fiscal year (March 2017).

At its meeting in January 2017 the Board of Directors selected the following 18 projects for support from the 2016/17 budget, presented below by geographical region. The relevant local Alstom facility is identified.

Asia-Pacific

- India – Madhepura site. Enhancing the skills and capabilities of women and girls in order to improve employability, develop resilient livelihoods and improve health near to Alstom's new manufacturing site (that will build electric locomotives for Indian Railways) in Bihar. This multi-facetted project will also provide basic access to safe water, sanitation and hygiene for local families; partner: CARE India.
- India – Bangalore office. Improving living conditions and addressing the lack of education and environmental awareness of the local community in the Bangalore region. The project includes tree planting, helping women and handicapped persons to set up small businesses, and giving children access to basic education; partner: Relief Welfare Trust.
- India – Bangalore office. Supporting marginalised and socially excluded children living in and around Bangalore by welcoming them into small Foster Homes. The project funded by Alstom Foundation aims to renovate and fit out two foster homes – each for eight girls from vulnerable backgrounds – to ensure staff salaries for one year and to fund food, school books, medical expenses and outings; partner: Dream India Network.
- India – New Delhi office. Supporting a home of education for the empowerment of disadvantaged young Indian girls. A continuation of a successful project funded by the Alstom Foundation since 2014, this second phase is to allow the existing home to grow to its full capacity. The funds are to support rental and running costs, as well as to provide access to good upbringing and education; partner: ONYVA.
- Vietnam – Hanoi office. Supporting sustainable boat building through the development of a bamboo-based composite to replace the use of scarce wood resources. This Phase 2 of a pilot R+D project initially undertaken in Bangladesh but now switched to Phu An Village in Vietnam is to complete the tests, build a prototype and support local carpenters and the community to adapt to this new material; partner: Watever-Seatizens.

Europe

- France – Saint-Ouen office. Supporting a school for pupils with special needs for whom the regular school system is inappropriate in a disadvantaged suburb of Paris, not far from Alstom's Headquarters. As the local council provides the school premises, the Foundation's funds will support running costs and the provision of pedagogic equipment; partner: Fondation Esperances banlieues.
- Italy – Savigliano site. Creating an emergency night reception centre for the homeless during the winter period, near to the Alstom rolling stock site in Savigliano. This 12 bed capacity centre will also serve about 100 meals per day to those in need; partner: Caritas Savigliano.
- Romania – Bucharest office. Providing dignified jobs for at-risk youth in Bucharest. The project will support a social enterprise that provides employment, skills training and job placements to vulnerable young people; partner: NeSSt Empowers.
- United Kingdom – Widnes Railway Technical Centre. Improving social mobility for youth in Liverpool. The project will create a local base to boost the ability of disadvantaged young people from poorer areas to seize opportunities for upward social mobility through such means as mentoring, training, skills development and internships; partner: Social mobility foundation.

The Americas

- Brazil – Lapa rolling stock site. Creation of a training centre in Vila Prudente favela near Sao Paulo to help vulnerable youth to enhance their employability. The projects aims to build a professional training centre for 15-24 year olds where they can receive training which provides a nationally recognised diploma, thereby allowing them to enter the job market quickly; partner: Arca do saber.
- Chile – Santiago office. Provision of vocational technical training for vulnerable youth at a school in a disadvantaged area of Santiago not far from the Alstom office. The selected school, which represents a high vulnerability index (about 70%, are from a very low socioeconomic level), will benefit from training with a technical, industrial and/or commercial specialisation related to Alstom's expertise; partner: Educacion 2020 foundation.
- Colombia – Bogota office. Contribution to community development in the remote Paluato area through the implementation of a micro-library providing books and training. The project focuses of education and the promotion of reading through reading clubs and seminars; partner: Microbibliotecas.
- Peru – Lima office. Construction of additional facilities at the Lunita de Paita pre-school located in a dusty favela near to Paita. The project will increase educational capacity by the provision of two new classrooms and environmental awareness through the construction of a greenhouse and pergola and the planting of trees; partner: Fundacion Harena.
- USA – Melbourne site. Provision of a dedicated nature play venue at Brevard Zoo in Florida to enable children with autism and sensory disorders to have a dedicated, accessible, safe and welcoming learning and recreational venue in which to meet animals and explore nature without the distraction of other visitors; partner: East Coast Zoological Society of Florida.

Middle East & Africa

- Algeria – Algiers office. Renovation of buildings providing homes to 142 children deprived of their biological families at Draria SOS Children's Village, south of Algiers. The aim of the project 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.
- Egypt – Cairo office. Protecting the rights of street children in the capital by providing them with medical, social, psychological and legal services through mobile units and by referring them to reception centers and shelters hosted by partner NGOs; partner: Samusocial International.
- Israel – Jerusalem office. Installation of a photovoltaic power system at Neradim Children's village which has 13 homes, each for 7/8 children aged from 8 to 18 years. The village takes care of orphaned children, or those otherwise at risk, no matter what their cultural and religious background may be; partner: SOS Children's Village, Israel.
- South Africa – Dunnottar rolling stock site. Refurbishment of the Ndebele High School in Duduza, east of Johannesburg and not far from Alstom's new factory. The aim of the project is convert the school into a technical school that can offer welding and technical drawing subjects by re-equipping it and fitting it with solar panels to enhance the electricity supply and save energy costs. The project will provide volunteering opportunities for Alstom employees to become teachers and mentors at the school; partner: Électriciens sans frontières (ESF).

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 Sustainable Development and Alstom's 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 information collection and consolidation were conducted along with a dedicated process between January and April 2017. The whole chapter has been reviewed by PricewaterhouseCoopers as an independent third party in regard to 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.

These indicators definitions refer 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 of companies' transparency in environmental and social matters.

Environmental performance and health and safety results

Data covering those topics are gathered within the reporting and consolidation system so-called "Teranga" which is also used for financial reporting.

On this scope, the safety and health results cover nearly 100% of Alstom 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 significantly different possible configurations and partnerships in projects, the environmental performance of temporary construction sites is not consolidated, as is the case for the environmental performance of activities of less than 200 persons conducted in sites on which utilities are not managed by Alstom. Environmental results cover almost 75% of Alstom employees.

Newly acquired activities start to report after a full calendar month of presence in the Group for safety results and after a full calendar quarter of presence for environmental results. The results of the new acquired sites are consolidated in environment after a full calendar year of reporting, so the data of the reference year are recalculated to take into account the new sites and allow measuring the performance at constant perimeter.

On health and safety, the reporting is done monthly from around 170 elementary reporting units with 12 basic indicators. On environment, the reporting is done quarterly from around 70 reporting units with 27 basic indicators. The intensities (energy, greenhouse gases, waste) are calculated with the hours worked of the units doing a reporting on environment. Monthly and quarterly reporting are 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 are presented over the fiscal year, *i.e.* from April 2016 to March 2017, while environmental data are consolidated over the calendar year, *i.e.* from January to December 2016.

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 and operates at all Alstom facilities; For 2016/17 data, Nomad, a company acquired in January 2017, is excluded from the reporting perimeter (around 200 employees);
- a social survey conducted in 25 countries on the figures of calendar year 2016 – Algeria, Australia, Belgium, Brazil, Chile, China, Egypt, France, Germany, Hong Kong Israel, India, Italy, Mexico, Morocco, The Netherlands, Poland, Romania, Saudi Arabia, Singapore, South Africa, Spain, Sweden, United Kingdom (UK) and United States of America (USA) –, representing 94.5% of Alstom's workforce. In the case of Absenteeism, South Africa has been excluded from consolidated totals due to incomplete data, but the coverage remains sufficiently high for this indicator.

In addition, and in order to illustrate the different sections with local initiatives, the following actions are conducted by the CSR central team:

- a collection and a summary of the local activities conducted worldwide and systematically in the 27 countries of more than 200 people in particular, with the support of Sustainability network 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 CSR, published internally through our internal communication tools and externally through press releases.

SYNTHESIS OF **INDICATORS/KEY FIGURES** 2016/17

Indicators	2015/16	2016/17	GRI reference	Page
ENVIRONMENTAL INDICATORS				
Energy				
Energy consumption from natural gas (*) *(in GWh)*	245	231	EN3	
Energy consumption from butane/propane and other gases (*) *(in GWh)*	7	8	EN3	
Energy consumption from domestic fuel (*) *(in GWh)*	10	6	EN3	
Energy consumption from imported steam and heat (*) *(in GWh)*	35	42	EN3	
Energy consumption from electricity (*) *(in GWh)*	175	181	EN3	
Energy consumption from coal, heavy fuels and other fuels (*) *(in GWh)*	0	0	EN3	
Total energy consumption (*) *(in GWh)*	472	468	EN3	
Energy intensity (*) *(in kWh/hours worked)*	11.3 (1)	10.5	EN5	
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption (*) *(in kilotonnes CO_2 eq.)*	54	50	EN15	
Indirect CO_2 emissions from steam, heat and electricity consumption (*) *(in kilotonnes CO_2 eq.)*	69	62	EN16	
Total CO_2 emissions from energy consumption (*) *(in kilotonnes CO_2 eq.)*	123	112	EN15-16	
Other direct CO_2 emissions from HFC (*) *(in kilotonnes CO_2 eq.)*	1	1	EN17	
Total CO_2 emissions from energy consumption and other direct emissions (*) *(in kilotonnes CO_2 eq.)*	124	113	EN15-16-17	
GHG emissions intensity (*) *(in kilotonnes CO_2 eq./hours worked)*	3.0	2.5	EN18	
CO_2 emissions from air travels (*) *(in kilotonnes CO_2 eq.)*	24	27	EN17	
CO_2 emissions from train travel s(*) *(in kilotonnes CO_2 eq.)*	1	1	EN17	
Company cars CO_2 emissions from gasoline (*) *(in kilotonnes CO_2 eq.)*	1	1	EN15	
Company cars CO_2 emissions from diesel oil (*) *(in kilotonnes CO_2 eq.)*	5	3	EN15	
CO_2 emissions linked the standard transport of goods (*) *(in kilotonnes CO_2 eq.)*	-	11		
CO_2 emissions linked the exceptional transport of goods (*) *(in kilotonnes CO_2 eq.)*	-	3		
Water				
Water consumption from public network (*) *(in thousands of m^3)*	590	557	EN8	
Water consumption pumped from groundwater (*) *(in thousands of m^3)*	228	132	EN8	
Water consumption pumped from surface water (*) *(in thousands of m^3)*	0	0	EN8	
Total water consumption (*) *(in thousands of m^3)*	818	689	EN8	
Airborne Emissions				
Non-methane Volatile Organic Compounds (VOCs) emissions (*) *(in tonnes)*	150	141	EN21	
Waste management				
Total hazardous waste production (*) *(in tonnes)*	4,236	2,728	EN23	
Recovered hazardous waste (*) *(in tonnes)*	1,790	1,504	EN23	
Total non-hazardous waste production (*) *(in tonnes)*	28,860	27,014	EN23	
Recovered non hazardous waste (*) *(in tonnes)*	25,420	24,529	EN23	
Total waste production (*) *(in tonnes)*	33,096	29,742	EN23	
Percentage of recovered waste (*) *(in %)*	82	88	EN23	
Waste intensity (*) *(in kg/hours worked)*	0.83 (2)	0.73	EN23	
Management system				
Proportion of manufacturing sites of more than 200 employees certified ISO 14001 *(in %)*	100	100	Non-GRI	

Indicators	2015/16	2016/17	GRI reference	Page
SOCIAL INDICATORS				
Occupational Health and Safety				
Number of fatalities at work (Alstom employees and contractors)	0	0	LA6	
Number of travel fatalities (Alstom employees)	2	0	LA6	
Number of occupational severe accidents (incl. fatal accidents)	6	6	LA6	
Lost time injury frequency rate 1 (IFR 1) (employees and contractors)	1.7 (1)	1.4	LA6	
Number of Alstom Zero Deviation Plan audits conducted during fiscal year	61	62	Non-GRI	
Proportion of employees trained to e-learning module on High *Risk* Activities (*) *(in %)*	86	80	LA9	
Number of recognised occupational diseases for the Alstom perimeter (*)	17 (2)	26	LA6	
Ratio of employees covered by a life insurance in case of accidental death or total and permanent disability (*) *(in %)*	98.6	97.3	LA2	
Ratio of employees covered by a life insurance giving one year salary in case of accidental death or total and permanent disability (*) *(in %)*	83.9	85.1	LA2	
Workforce and organisation				
Total workforce by type of contract			LA1	
• Permanent contracts	28,722	29,808		
• Fixed-term contracts	1,628	2,265		
• Interns	620	706		
Total employees	30,970	32,779	LA1	
Distribution of employees by Region (employees) *(in %)*			LA1	
• Middle East/Africa	5.5	8.8		
• Asia/Pacific	10.2	12.3		
• Europe	68.6	63.2		
• Americas	15.6	15.8		
Distribution of employees by category (employees)			LA1	
• Managers and professionals *(in %)*	46.6	50.3		
• Other employees *(in %)*	53.4	49.7		
Employees' movements during fiscal year (employees)			LA1	
• Hiring on permanent contracts	3,228	3,339		
• Hiring on fixed-term contracts	997	1,731		
• Resignations	852	1,425		
• Redundancies	173	236		
• Dismissals *(permanent headcount)*	458	563		
• Other departures (incl. retirements, excl. acquisitions/disposals)	1,802	1,345		
Recruitment by region (permanent contracts) *(in %)*			LA1	
• Middle East/Africa	12	16		
• Asia/Pacific	27	31		
• Europe	33	29		
• Americas	28	24		
Resignation rate for employees on permanent contracts by Region *(in %)*	3.2	4.9	LA1	
• Middle East/Africa	4.9	7.0		
• Asia/Pacific	8.9	9.2		
• Europe	2.0	3.6		
• Americas	4.8	6.5		
Absenteeism rate (*) *(in %)*	2.7(1)	2.7	LA6	
• Middle East/Africa	2.2	2.0		
• Asia/Pacific	0.8	1.5		
• Europe	3.2	3.2		
• Americas	1.1	1.9		

Indicators	2015/16	2016/17	GRI reference	Page
Competencies and carriers				
Proportion of annual performance interviews conducted (managers & professionals) *(in %)*	-	96	LA11	
Proportion of employees trained (*) *(in %)*	68	76	LA9	
Average training hours per employee (*) *(in hours/employee)*	14	19	LA9	
Total number of training hours (*) *(in hours)*	388,897	584,600	LA9	
Diversity and equal opportunity				
Proportion of women in the workforce *(in %)*	16.9	17.1	LA12	
Proportion of female managers or engineers *(in %)*	19.9	19.9	LA12	
Proportion of executive women *(in %)*	13.1	13.0	LA12	
Percentage of women – senior manager	11.7	11.8		
Percentage of women – executives	20.6	20.6		
Proportion of women trained (*) *(in %)*	15.7	17	LA12	
Proportion of employees with disabilities (*) *(in %)*	2.6	2.4	LA12	
Europe	3.3	3.4		
Proportion of employees aged over 45 years *(in %)*	40	40	LA12	
Sustainable sourcing				
Proportion of purchase amount covered by the referenced suppliers having signed the sustainable development Charter *(in %)*	75	90	Non-GRI	
Number of suppliers covered by an assessment less than three years old	338	483	Non-GRI	
Proportion of sourcing managers who have attended sustainable sourcing training *(in %)*	76	88	Non-GRI	
Labour/Management relations				
Proportion of employees covered by a collective bargaining agreement (*) *(in %)*	76	70.7	Non-GRI	
Ethics				
Proportion of targeted population who have received training on ethics *(in %)*	75	90	SO4	

(*) Indicators reported for calendar years 2015 and 2016.
(1) Scope modified.
(2) In 2015, perimeter was Europe only.

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED ENVIRONMENTAL, LABOUR AND SOCIAL INFORMATION PRESENTED 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 2017

To the Shareholders,

In our capacity as Statutory Auditor of Alstom S.A., 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 2017, 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"), 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).

Our work involved 7 persons and was conducted between October 2016 and April 2017 during a 30 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) Whose scope is available at www.cofrac.fr
(2) ISAE 3000 – 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 the 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 (given in appendix):

- 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 and the consolidation 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 selected by us [(3)] 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. The selected sample represents on average 24% of headcount considered as material data of social issues and between 26% and 67% of quantitative environmental data considered as material data of environmental issues.

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 4th of May, 2017

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Édouard Demarcq	Sylvain Lambert
Partner	*Partner in charge of the Sustainable Development department*

(3) Água Branca et Lapa in Brazil, Ornans, Reichshoffen, Saint-Ouen, Tarbes, Villeurbanne in France, Bangalore in India, Casablanca au Morocco, Chorzow in Poland, Golders Green et Morden in the United Kingdom, Grainvalley et Warrensburg in the United States.

Appendix: List of information that we have considered to be the most important

Human resources information:

- Total number and breakdown of employees by gender, age and geography, indicators total workforce at the end of March 2017, 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.
- Organization 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 organization 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, indicator VOC [(1)] emissions.
- 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, coal, 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).

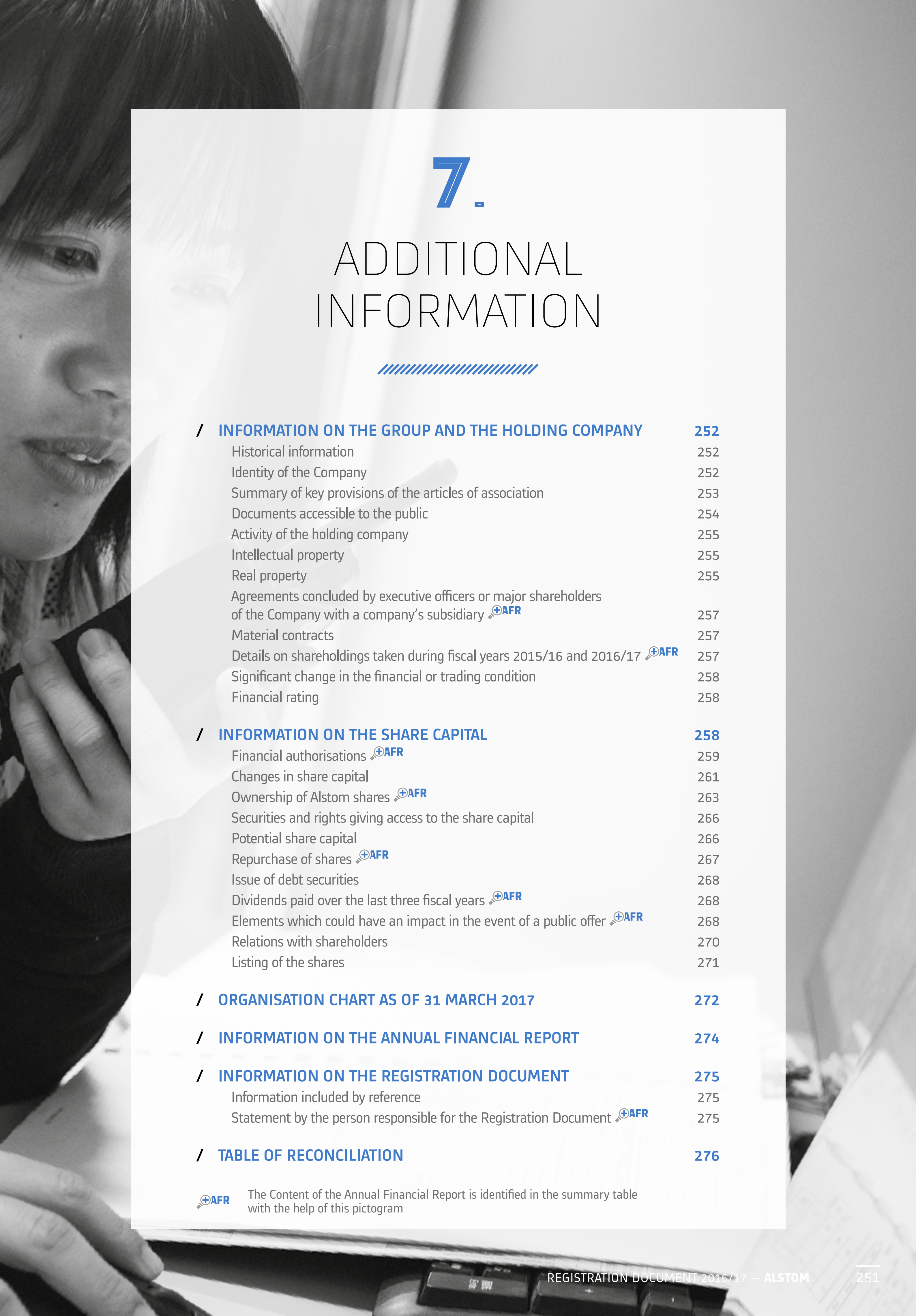
TABLE OF **COMPULSORY CSR INFORMATION**

Information pursuant to Articles L. 225-10 and L. 225-102-1 al. 5 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	
2. Social information (Articles L. 225-102-1 al. 5 and R. 225-105-1 of the French Commercial Code)	
2.1. Workforce	
Total workforce and workforce breakdown by gender, age, geography	
Hiring and dismissals/redundancies	
Compensation and compensation evolution	
2.2. Working time	
Working time organisation	
Absenteeism	
2.3. Industrial relations	
Organisation of social dialogue, in particular processes of employee information and consultation, and negotiation	
Assessment of collective agreements	
2.4. Health and Safety	
Health and safety working conditions	
Assessment of collective agreements on health and safety signed with employee representatives	
Accidents – in particular Injury frequency rate and severity rate – and occupational diseases	
2.5. Training	
Training policies	
Total number of training hours	
2.6. Equal opportunity	
Measures to favour gender equality	
Measures to favour employment and integration of people with disability	
Policy to fight against discrimination	
2.7. Promotion and respect for the conventions of the International labour organisation (ILO)	
Respect of freedom of association and right of collective bargaining	
Eradication of discrimination in terms of employment	
Eradication of forced or compulsory labour	
Eradication of child labour	
3. Environmental information (Articles L. 225-102-1 al. 5 and R. 225-105-1 of the French Commercial Code)	
3.1. Environmental policy	
Company organisation to tackle environmental concerns, and if appropriate, assessment and certification approaches in terms of environment	
Employee awareness and training actions on environmental issues	
Actions to prevent from environmental risks and pollution	
Amount of provisions and bonds for environmental risks	
3.2. Pollution	
Measures in favour of prevention, reduction and remediation for air, water and soil borne affecting seriously the environment	
Noise pollution and other types of pollution linked to a specific activity	

	Pages of the Registration Document
3.3. Circular economy	
3.3.1. Prevention and management of waste	
Measures for prevention, recycling, reuse other forms of recovery and disposal of waste	
Actions against food waste	
3.3.2. Sustainable use of resources	
Water consumption and procurement, taking into account local constraints	
Raw material consumption and measures taken to raw material efficiency in use	
Energy consumption and measures taken to improve energy efficiency and the use of renewable energies	
Ground footprint	
3.4. Climate change	
The significant amounts of greenhouse gas emissions generated as a result of the company's activity, through the use of the goods and services it produces in particular	
Adaptation to climate change effects	
3.5. Protection of biodiversity	
Measures taken to protect or encourage biodiversity	
4. Information on social commitments in favour of sustainable development	
4.1. Regional, economic and social impact of the Company's activity	
Regional, economic and social impact in terms of employment and local development	
Regional, economic and social impact in terms of surrounding and local communities	
4.2. Relationships with stakeholders (individuals and organisations interested in the Company's activity), including associations to combat social exclusion, educational institutions, environmental and consumer associations, and surrounding communities	
Conditions of dialogue with those stakeholders	
Partnerships and charitable contributions	
4.3. Suppliers and contractors	
Integration of social and environmental challenges in the sourcing policy	
Importance of contracting and integration of corporate social responsibility in the relations with suppliers and contractors	
4.4. Fair practices	
Measures against corruption	
Measures in favour of consumer's health and safety	
4.5. Other actions in favour of human rights	
5. Information related to technological risks (Article L. 225-102-2 of the French Commercial Code) (*)	

(*) Not applicable.



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

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.

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 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.

(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.

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. There are no double voting rights.

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 are available on the Group's website (http://www.alstom.com/fr/), in particular in sections "Investors / Regulated information" as per Article L. 451-1-2 of the French *Code monétaire et financier*, "Investors / Share information / Capital structure" for the bylaws and "About us / Corporate-governance" for the Internal Rules and regulation of the Board of Directors and Internal Rules of the Committees of the Board. The Group Annual Reports for the last five fiscal years are also available on the Company's website, section "Investors / Publications / Registration Documents".

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 2017 is €833 million.

The depreciation booked for the above is €481 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
Belgium	Charleroi
Brazil	Sao Paolo
	Taubate
Canada	Sorel-Tracy (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)
	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)
Poland	Katowice
South Africa	Johannesburg
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 paragraph 13 of Article L. 225-102-1 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 2017, in section "Management report on consolidated financial statements fiscal year 2016/17 – Main events of fiscal year 2016/17 of this Registration Document" and in section below "Details on shareholdings taken during fiscal years 2015/16 and 2016/17".

DETAILS ON SHAREHOLDINGS TAKEN DURING FISCAL YEARS 2015/16 AND 2016/17

(Section including information as per Article L. 233-6 of the French Commercial Code)

Fiscal year 2015/16

The equity investments described here below reflect those which are in the ALSTOM perimeter on 31 March 2016.

On 27 May 2015, ALSTOM Transport UK (Holdings) Ltd acquired from Balfour Beatty Group Ltd 50% of SSL (Signalling Solution Ltd) shares, company in which ALSTOM Transport UK (Holdings) Ltd had already 50%. SSL provides management solutions, sale, delivery and maintenance of train control solutions.

On 2 November 2015, in connection with closing of the transaction with General Electric, Alstom has invested in three joint ventures in the Nuclear (20% minus one share), Grid (50% minus one share) and Renewables activities (50% minus one share). Alstom acquired General Electric's signalling business, *inter alia* GE Transportation (merged within ALSTOM Transport SA).

On 15 December 2015, ALSTOM Transport SA and the *Agence de l'environnement et de la maîtrise de l'énergie* (ADEME) created a Joint Venture called SpeedInnov held at 69% by ALSTOM Transport SA and at 31% by ADEME. SpeedInov is specialized in project management, the development of high-speed train technology of the future, the development of associated intellectual property and financing needs for related innovation activities.

On 29 December 2015, ALSTOM Holdings acquired from JSC RZhD (Joint Stock Company Russian Railways) 8.33% of the shares of a Dutch company called The Breakers Investments BV (company which fully owns the Russian company JSC Transmashholding) specialized in the development, manufacture and sale of components and railway rolling stock. ALSTOM Holdings owns now 33.34% of the company The Breakers Investments BV.

On 8 February 2016, ALSTOM Transport Holdings BV acquired from JSC Remlokomotiv, itself held by JSC KTZ (Stock Company Kazakh Railways), 25% of the capital of a kazakh company called EKZ LLP (Electrovoz Kurastyru Zauyty LLP), specialized in the development, manufacture, sale and maintenance of components and railway rolling stock. ALSTOM Transport Holdings BV holds now 50% of Electrovoz Kurastyru Zauyty LLP.

See also section "Management report on the consolidated financial statements – year 2015/16 – Main events of fiscal year 2015/16."

Fiscal year 2016/17

The equity investments described here below reflect those which are in the ALSTOM perimeter on 31 March 2017.

ALSTOM Transport SA invested into an increase in capital in SpeedInnov for €32 million during October 2016 decreasing its stake from 69.0% to 65.1%.

On, 6 April 2016, ALSTOM Transport SA acquired from CTE and IDC 51% of the share capital of the South African rail company CTLE (Commuter Transport & Locomotive Engineering), specialized in the modernisation of trains. Following this acquisition, the company has changed its name to Alstom Ubunye.

On 13 April 2016, ALSTOM Transport SA acquired from Nexans 50% of the share capital in the joint-venture Cabliance. Following such acquisition, Alstom now fully owns Cabliance. Cabliance is specialized in the production of cable bundles for rail applications and electrical switchboxes. The operations are located in Fès, Morocco.

On 5 January 2017, ALSTOM Transport UK (Holdings) Ltd acquired 100% of the share capital of Nomad Holdings. The company based in Newcastle, is a provider of passenger and fleet connectivity solutions to the railway industry. Nomad Digital's solutions include passenger WiFi, innovative Passenger Information Systems and on-board passenger portals, entertainment and media platforms.

On 17 January 2017, ALSTOM Holdings invested €14 million, and thus taking a minority stake, in EasyMile, a French start-up company developing an electric driverless shuttle.

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 3 May 2017, 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
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.

INFORMATION ON THE **SHARE CAPITAL**

As of 31 March 2017, ALSTOM's share capital amounted to € 1,537,982,810 consisting of 219,711,830 shares of the same class and fully paid with a nominal value of €7 per share, following the operations completed during fiscal year 2016/17, which are detailed in the table page [XX] in section "Changes in share capital" below.

As of 3 May 2017, the share capital amounted to €1,538,240,774 divided into 219,748,682 shares of €7 par value each, resulting from the issuance of 36,852 new shares since 31 March 2017.

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, *i.e.* 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. 225-100 of the French Commercial Code)

The table below sets forth the financial authorisations that are in force as of 3 May 2017 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 5 July 2016, resolution No. 26)	2% of the share capital at the date of the Shareholders' Meeting, less any amount issued by virtue of resolution No. 27 of the AGM dated 5 July 2016 (1)(4)	None	Maximum amount authorised	5 September 2018 (duration: 26 months)
Delegation of competence to issue shares reserved for a category of beneficiaries with cancellation of the preferential subscription rights (AGM dated 5 July 2016, resolution No. 27)	0.5% of the share capital at the date of the Shareholders' Meeting, to be deducted from the overall limit set in resolution No. 26 dated 5 July 2016 (1)(4)	None	Maximum amount authorised	5 January 2018 (duration: 18 months)
SHARE BUYBACK AND REDUCTION OF THE SHARE CAPITAL				
Share buyback authorisation (AGM dated 5 July 2016, resolution No. 9)	10% of the share capital as of 31 March 2016	None	Maximum nominal amount authorised	5 January 2018 (duration: 18 months)
Authorisation to reduce the share capital by cancellation of shares (AGM 30 June 2015, resolution No. 19)	10% of the share capital	None	Maximum amount authorised	30 June 2017 (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 n° 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 next Shareholders' Meeting to be held on 4 July 2017 to renew on similar terms the share buy-back authorisation and the authorisation to reduce the share capital by cancellation of shares respectively granted by the Shareholders General Meeting held on 5 July 2016 and 30 June 2015 which will expire during fiscal year 2017/18, with an overall capital increase limit maintained for each renewed authorisation at 10% of the share capital.

It will be also proposed to renew the authorisations related to capital increases relative to employee shareholding transactions with a specific ceiling which would remain set at 2% of the share capital as of the day of the Shareholders' Meeting and would reduce the overall capital increase limit of €506 million. These authorisations are intended for the development of employee savings, which total 1.21% of the share capital of the Company as of 31 March 2017 (either directly or *via* Alstom's *Fonds Commun de Placement* (French shareholding vehicle, or "FCP").

It will be also proposed to the next Shareholders' Meeting to renew the repurchase of share authorisation (see page [276] hereafter)

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 2014				**308,702,146**	**2,160,915,022**
Increase in share capital resulting from the exercise of options (30 April 2014)	3,000	21,000	4,800.00	308,705,146	2,160,936,022
Increase in share capital resulting from the exercise of options and allocation of performance shares under the plan LTI No. 14 (31 May 2014)	289,496	2,026,472	421,475.20	308,994,642	2,162,962,494
Increase in share capital resulting from the exercise of options (30 June 2014)	37,690	263,830	191,616.00	309,032,332	2,163,226,324
Increase in share capital resulting from the exercise of ORA (*) and options and allocation of free shares under the plan Sharing Plus 2009 (31 July 2014)	142,841	999,887	148,688.00	309,175,173	2,164,226,211
Increase in share capital resulting from the exercise of options (31 August 2014)	69,985	489,895	131,324.80	309,245,158	2,164,716, 106
Increase in share capital resulting from the exercise of options (30 September 2014)	133,692	935,844	334,547.20	309,378,850	2,165,651,950
Increase in share capital resulting from the exercise of options (31 October 2014)	13,500	94,500	146,880.00	309, 392,350	2,165,746,450
Increase in share capital resulting from the exercise of options (30 November 2014)	36,580	256,060	397,990.40	309,428,930	2,166,002,510
Increase in share capital resulting from the exercise of options and allocation of performance shares under the plan LTI No. 13 (31 December 2014)	272,901	1,910,307	86,339.75	309,701,831	2,167,912,817
Increase in share capital resulting from the exercise of options (31 January 2015)	24,669	172,683	305,749.11	309,726,500	2,168,085,500
Increase in share capital resulting from the exercise of options and allocation of performance shares under plans LTI No. 13, LTI No. 14 and LTI No. 15 (28 February 2015)	14,982	104,874	163,006.00	309,741,482	2,168,190,374
Increase in share capital resulting from the exercise of ORA (*) and options (31 March 2015)	51,015	357,105	584,411.85	309,792,497	2,168,547,479
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	133,237.96	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	235,941.92	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	657,652.48	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	2,814,495.82	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	32,846.66	310,489,478	2,173,426,346

	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 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	769,317.64	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	62,435.80	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	488.60	219,127,075	1,533,889,525
Increase in share capital resulting from the exercise of options (30 September 2016)	4,900	34,300	78,204.00	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	2,998,026.12	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 n° 16 (12 December 2016)	212,821	1,489,747	-	219,527,360	1,536, 691,520
Increase in share capital resulting from the exercise of options (31 December 2016)	51,644	361,508	858,208.20	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	738,417.60	219,624,673	1,537,372,711
Increase in share capital resulting from the exercise of options (28 February 2017)	52,309	366,163	858,388.98	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	542,965.74	219,711,830	1,537,982,810

(*) 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 2017:

	Share capital as of 31 March 2017				Share capital as of 31 March 2016		Share capital as of 31 March 2015	
	Number of shares	% of the share capital	Number of voting rights	% of the voting rights (1)	Number of shares	% of the share capital and voting rights (1)	Number of shares	% of the share capital and voting rights (1)
Public	96,353,193	43.85%	96,883,135	43.06%	69,006,474	31.49%	152,978,042	49.39%
APE (*)	43,825,361	19.95%	43,825,361	19.48%	43,825,361	20.00%	-	-
Bouygues SA (*)	18,260,866	8.31%	21,521,732	9.57%	18,260,866	8.33%	90,543,867	29.23%
State Street Corporation	6,295,305	2.87%	6,295,305	2.80%	6,295,305	2.87%	6,295,305	2.03%
Aviva plc	5,113,366	2.33%	5,113,366	2.27%	5,113,366	2.33%	4,612,819	1.49%
Schroders plc	4,429,438	2.02%	4,429,438	1.97%	4,906,904	2.24%	1,570,516	0.51%
DNCA Investments	4,171,960	1.90%	4,171,960	1.85%	6,755,771	3.08%	6,303,510	2.03%
Financière de l'Échiquier	4,171,960	1.90%	4,171,960	1.50%	-	-	-	-
Alken Luxembourg S.A.	3,363,429	1.53%	3,363,429	1.49%	2,161,642	0.99%	-	-
Employés (2)	2,667,642	1.21%	4,164,574	1.85%	2,962,678	1.35%	3,255,708	1.05%
BNP Invesment Partners	2,320,362	1.06%	2,320,362	1.03%				
Norges Bank	2,139,879	0.97%	2,139,879	0.95%	3,438,772	1.57%	3,666,467	1.18%
Covea Finance	1,996,760	0.91%	1,996,760	0.89%	1,996,760	0.91%	1,996,760	0.64%
Edmond de Rothschild Asset Management	1,872,016	0.85%	1,872,016	0.83%	1,872,016	0.85%	1,620,794	0.52%
Oppenheimer Funds	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	0.67%	1,502,300	0.69%	1,602,300	0.52%
Franklin Resources Inc.	1,425,626	0.65%	1,425,626	0.63%	1,425,626	0.65%	(3)	(3)
Groupama Asset Management	1,403,076	0.64%	1,403,076	0.62%	1,403,076	0.64%	-	-
Lloyds Banking Group	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	0.62%	1,393,382	0.64%	-	-
FIL Limited	1,387,923	0.63%	1,387,923	0.62%	1,387,923	0.63%	-	-
York Capital Management	1,350,000	0.62%	1,350,000	0.60%	1,350,000	0.62%	-	-
Legal & General Group plc	1,330,144	0.61%	1,330,144	0.59%	1,330,144	0.61%	1,696,714	0.55%
HSBC Holdings plc	1,319,326	0.60%	1,319,326	0.59%	1,319,326	0.60%	-	-
Richelieu Finance	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	0.58%	1,300,000	0.59%	-	-
Marsico Capital Management	1,245,255	0.57%	1,245,255	0.55%	1,245,255	0.57%	-	-
Fonds de Réserve pour les Retraites (FRR)	1,181,722	0.54%	1,181,722	0.53%	-	-	-	-
FMR LLC	1,153,867	0.53%	1,153,867	0.51%	4,333,965	1.98%	12,415,000	4.01%
HSBC Global Asset Management	1,110,748	0.51%	1,110,748	0.49%	1,110,748	0.51%	-	-
Crédit Agricole SA	1,104,501	0.50%	1,104,501	0.49%	-	-	-	-
Caisse des Dépôts et Consignations	1,092,807	0.50%	1,092,807	0.49%	2,134,341	0.97%	3,112,659	1.00%
Natixis Asset Management	(5)	(5)	(5)	(5)	1,511,882	0.69%	1,549,832	0.50%
Amundi	(5)	(5)	(5)	(5)	4,303,193	1.96%	6,129,410	1.98%
GIC Private Limited	(5)	(5)	(5)	(5)	3,961,232	1.81%	-	-

	Share capital as of 31 March 2017				Share capital as of 31 March 2016		Share capital as of 31 March 2015	
	Number of shares	% of the share capital	Number of voting rights	% of the voting rights (1)	Number of shares	% of the share capital and voting rights (1)	Number of shares	% of the share capital and voting rights (1)
AXA SA	(5)	(5)	(5)	(5)	1,287,929	0.59%	(3)	(3)
Och Ziff Capital Management	(5)	(5)	(5)	(5)	1,179,055	0.54%	-	-
UBS Investment Bank	(5)	(5)	(5)	(5)	1,128,659	0.52%	-	-
Société Générale	(5)	(5)	(5)	(5)	13,695,537	6.25%	-	-
Crédit Suisse Group AG	(5)	(5)	(5)	(5)	(4)	(4)	2,928,066	0.95%
Citigroup Inc.	(5)	(5)	(5)	(5)	(4)	(4)	2,859,728	0.92%
TOTAL	**219,711,830**	**100.00%**	**224,999,570**	**100.00%**	**219,127,044**	**100.00%**	**308,702,146**	**100.00%**

(*) See below the concert declaration with the French Republic.
(1) % calculated based on the share capital as of 31 March of each year and not based on the share capital on the date of the declaration.
(2) Shares held by employees and former employees of the Group savings plan as of 31 March 2017, which corresponds to approximately 0.41% held directly and approximately 0.49% held through an employee mutual Fund (FCPE).
(3) Shareholders with less than 0.5% of the Company's share capital as of 31 March 2015.
(4) Shareholders with less than 0.5% of the Company's share capital as of 31 March 2016.
(5) Shareholders with less than 0.5% of the Company's share capital as of 31 March 2017.

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 2017.

After 31 March 2017, the Company received the following declarations of threshold crossing:

- La Financière de l'Échiquier notified that it held, on 11 April 2017, 3,047,732 shares (1.39% of the share capital of Alstom and 1.35% of the voting rights of Alstom);
- DNAC Finance notified that it held, on 18 April 2017, 4,416,243 shares.
- UBS Asset Management notified that it held, on 8 May 2017, 1,099,526 shares (0.50% of the share capital of Alstom and 0.49% of the voting rights 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 (see section "Elements which could have an impact in the event of a public offer" in the present chapter for a presentation of the main terms of the agreement appearing in the AMF notice).

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 holds, alone or in concert, shares or securities giving access to ALSTOM's capital and that only Bouygues SA holds 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 has 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.

The Company is not aware of the existence of a shareholders' agreement relating to the Company's capital other than the protocol concluded between Bouygues and the French Republic on 22 June 2014.

As of 3 May 2017, to the knowledge of the Company, 37,490 shares are held by the individual Directors of the Company representing in total approximately 0.02% of Alstom's share capital and voting rights. The company Bouygues SA, Director of Alstom since 18 March 2008, holds 18,260,866 shares, i.e. 8.3% of the share capital and 9.5% voting rights of the Company as of 3 May 2017. The French State (APE) holds 43,825,361 shares, i.e. 19.95% of the share capital and voting rights of the Company at the same date.

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 and each Director holds at least the number of shares recommended by the Director's Charter annexed to the Board Internal Rules. 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 2017, 77,050 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 2017
Shares that may result from the exercise of existing stock option plans (*)	4.757.401	33.301.807	2.17%
Shares that may be issued on the basis of performance shares plans (*)	2.950.008	20.650.056	1.34%
Shares that may be issued on the basis of free shares plans	824.370	5.770.590	0.37%
TOTAL (*)	**8.531.779**	**59.722.453**	**3.88%**

(*) 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 2016/17.

REPURCHASE OF SHARES

(Information as per Article L. 225-11 of the French Commercial Code)

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 5 July 2016 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 2016, *i.e.* a theoretical number of 21,912,704 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 5 January 2016. The Company did not use this authorization during fiscal year 2016/17.

Presentation of the share purchase programme submitted to the approval of the Ordinary and Extraordinary General Meeting called on 4 July 2017

The section below constitutes the presentation of the share purchase programme which will be submitted to the approval of the Ordinary and Extraordinary General Meeting called on 4 July 2017, pursuant to Article 241-2-I of the General Regulation of the French *Autorité des marchés financiers*.

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

In accordance with the provisions of the European Regulation °596/2014 of 16 April 2014 and the accepted market practices of the French *Autorité des Marchés Financiers*, this share purchase programme may be used:

- with the purpose of cancelling the shares acquired under the conditions laid down by law;
- with the purpose of allocating or selling shares to employees, former employees or corporate officers of the Company and its affiliated companies as defined in Articles L. 225-180 and L. 233-16 of the French Commercial Code, in particular through employee purchase schemes, stock option plans, free allocations of shares, shareholding transactions reserved for employees or any share-based compensation system;
- to hold, 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;
- to deliver shares upon exercise of rights attached to securities giving access to the share capital;
- to ensure the liquidity of the market and to manage the Company's market through an authorised investment services provider as part of a liquidity contract complying with a code of ethics agreed upon by the French *Autorité des marchés financiers* (AMF);
- as well as to implement any market practice that could potentially be allowed by 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 accordance with the rules set by the relevant regulatory bodies, on regulated markets or off the market including multilateral trading facilities (MTFs) or *via* a systematic internaliser, by any means, including through block transfer or the use or exercise of any financial instruments, derivatives, particularly, through optional transactions such as the purchase and sale of options 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.

Maximum portion of share capital and maximum number of shares which may be repurchased

Pursuant to Article L. 225-209 *et seq*. of the French Commercial Code, the Board of Directors is allowed to purchase Company shares up to the number of shares that represent 10% of the Company's share capital as of 31 March 2017, *i.e.*, a theoretical maximum number of 21,971,183 shares of €7 nominal value, and a theoretical maximum aggregate purchase price of €988,703,325 based on the maximum purchase price set hereafter.

Maximum purchase price

The purchase price may not exceed €45 per share, subject to adjustments relating to transactions affecting the Company's share capital. In the event of transactions dealing with the Company's share capital and, in particular, in the event of an increase in the share capital by the incorporation of reserves and the allocation of shares, free of charge, as well as in the event of a split or a consolidation of the shares, the maximum price indicated above shall be adjusted by a multiplying ratio equal to the number of shares included in the share capital before the transaction divided by the number of these shares after the transaction.

Duration

The share purchase programme will be valid during 18 months after the Shareholders' Meeting called to be held on 4 July 2017, *i.e.* 4 January 2019.

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 23 September 2016, 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 2016/17, 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 2017 results in astatutory loss of €22,714,010.67. After allocation of the result on the General Reserve account which, accordingly, amounts to €3,788,432.32, it will be proposed to the next Shareholders' Meeting called on 4 July 2017 to distribute a total dividend of €54,927,957.50, corresponding to €0.25 per share of €7 of nominal value, to be paid as from 11 July 2017.

No dividends were distributed in respect of the three previous fiscal years.

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. 225-100-3 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

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 the terms of which the French Republic or any other entity of its choice controlled by it, may buy all or part of Alstom's capital held by Bouygues. A detailed description of the agreement is given in the notice 214C1292 published by the *Autorité des marchés financiers* (AMF) on 3 July 2014 in which the AMF concludes, after examining the said agreement, that the State and Bouygues are acting in concert in relation to the ALSTOM company. See also the section "Complementary information – Information on the share capital – Ownership of Alstom shares".

Under the terms of the agreement the State will benefit, during a period of eight days from the 60 trading day after the Reference Date, from a put option (the "First put option") on a number of shares representing 20% of ALSTOM's capital at the Reference Date at the unit price of €35 (adjusted to take into account any exceptional dividend and any operation having an impact on ALSTOM's capital). The Reference Date is defined in the agreement as the date of payment of the exceptional dividend or any operation having an equivalent effect following the completion of the transactions announced by ALSTOM on 21 June 2014.

In the absence of the exercise of the First put option and for 17 months following the end of the exercise period of the First put option, the State will benefit from a put option (the "Second put option") on a number of shares representing 20% of ALSTOM's capital at the Reference Date at a unit price equal to 95% of the weighted average of the volumes of the share's market price over a reference period of sixty trading days preceding the exercise date; the price may not be less than €35 per share (adjusted to take into account any exceptional dividend and any transaction affecting ALSTOM's capital).

In the absence of the exercise of the First put option or the Second put option, the State shall benefit, for a period of eight trading days following the end of the exercise period of the Second put option, from a third put option (the "Third put option") on a number of shares representing 15% of ALSTOM's capital at the reference Date at a price per share equal to 98% of the weighted average of the volumes of the ALSTOM share market price over a reference period of 60 trading days preceding the end of the 17-month period detailed above.

In the event of very significant negative variations in the market (such as a stock market crash) over the 60 trading days preceding the start of the exercise period of the Third put option, the parties have agreed to discuss in good faith the terms of the sale during a period which may not exceed 30 days from the first day of the exercise period of the Third put option. The exercise of the Third put option shall thus be suspended during the discussion period and shall recommence at the end of this period, including in the absence of agreement between the parties.

Bouygues shall be free to sell all or part of the shares covered by the put options (after having sold all the other ALSTOM shares it holds) subject to having previously offered them to the APE.

In addition, as from the first trading day following the Reference Date and up to the exercise or expiry of the put options granted to the State, Bouygues has undertaken to grant the State a loan of shares covering a number of shares such that the number of Alstom voting rights held by the State equals 20%. The Reference Date had occurred on 28 January 2016, Bouygues has transferred to the *Agence des Participations de l'État* (APE) 43,825,360 shares in accordance with this loan of shares. Any sale of shares to the APE will extinguish the loan of shares in the amount of the shares sold.

This provision of the aforementioned loan (*i.e.* put option and loan of shares) was conditioned by the closing of the Energy transaction with General Electric, which occurred on 2 November 2015.

The other main clauses of the agreement also contain the following principles:

- **Acting in concert:** should the AMF consider that the parties are acting in concert, the parties shall make the required declarations. If this is the case, each of the parties agrees to do nothing which would cause them, in concert, to exceed the threshold of 30% of the capital or voting rights of ALSTOM. The party which would fail to comply with this commitment shall be solely responsible for the consequences of this failing and, in particular, for any mandatory public offer that may be demanded as a consequence.
- **Voting undertaking:** Bouygues has committed to vote at ALSTOM General Meetings against any resolution which would jeopardise the statutory and/or legal provisions permitting the APE to acquire double voting rights at the end of a holding period of registered shares of two years. Should Bouygues hold, at any ALSTOM Shareholders' General Meeting held after the Reference Date, more voting rights than the APE (taking account, for the APE, of the shares loaned by Bouygues), Bouygues has agreed not to exercise any more voting rights than the APE holds at the said General Meeting.

  This undertaking led Bouygues to vote against the twentieth resolution of the Shareholders' General Meeting of 1 July 2014 which proposed the introduction into the articles of association of a measure to keep single voting rights.
- **Governance:** Bouygues and the APE have undertaken to make their best efforts for 10 years as from the signing of the agreement so that the ALSTOM Board of Directors, after the Reference Date, includes one Director appointed by Bouygues, provided that Bouygues holds at least 1% of the ALSTOM capital, and two Directors proposed by the APE or the State. 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.

Direct or indirect shareholdings in the Company

As of 3 May 2017, Bouygues SA and the French Republic hold in concert 28.25% of the share capital and 29.45% 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 0.49% of the Company's share capital and voting rights as of 31 March 2017.

Shareholders' agreements that may restrict the transfer of shares and the exercise of voting rights

To the knowledge of Alstom, there are no other shareholders' agreements that may restrict the transfer of Alstom's shares and/or the exercise of Alstom's voting rights than the memorandum of understanding entered into between Bouygues and the French Republic on 22 June 2014, as mentioned above. 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 5 July 2016 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 Ordinary and Extraordinary General Meeting to be held on 4 July 2017 to renew this authorisation under the conditions detailed page 276, 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 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, in case of 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 2019 with a possible extension of one year at the discretion of the banks also contains a change of control clause which may result, in case of a change of control, in the programme being suspended, in the obligation to procure new bonds to replace outstanding bonds or to provide cash collateral, as well as the early reimbursement of the other debts of the Group as a result of their cross-default or cross-acceleration provisions. 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 2017, the share price closed at €28.015 and the Group's stock market capitalisation stood at €6.2 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@alstom.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 2017

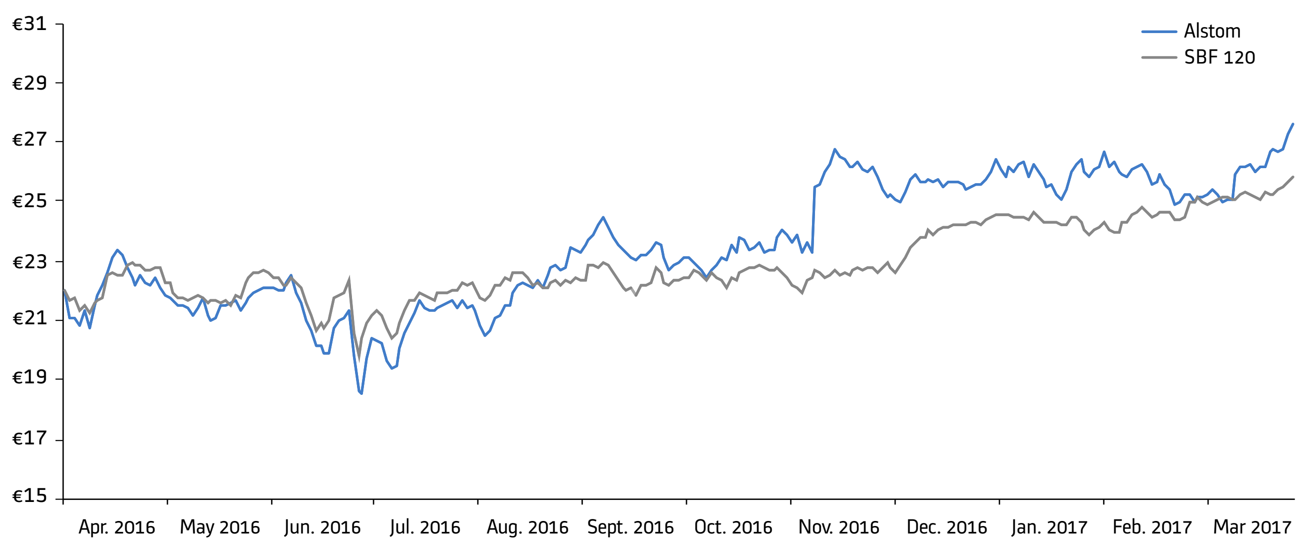
ALO
LISTED
NYSE
EURONEXT
PARIS

Place of listing:	**Euronext Paris**
ISIN Code:	FR0010220475
Ticker:	ALO
Nominal value:	€7
Number of shares:	219,711,830
Market capitalisation:	€6,155,226,917
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.

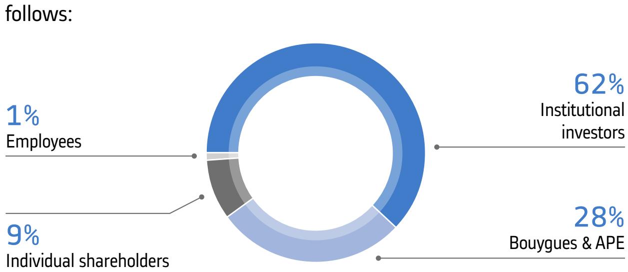
SHARE PRICE EVOLUTION *(in €)* **– APRIL 2016/MARCH 2017**



Alstom basis as of 31st March 2016: €22.47
Source: Nasdaq IR Insight

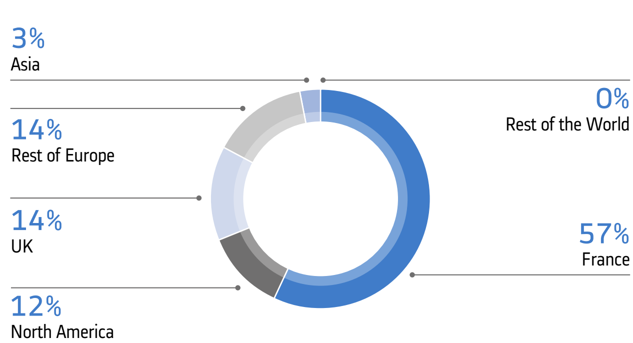
Shareholder structure

According to a shareholder study carried out by Euroclear France and Orient Capital on 8 March 2017, the share capital was distributed as follows:



Source: Alstom

CAPITAL STRUCTURE BY REGION (1)



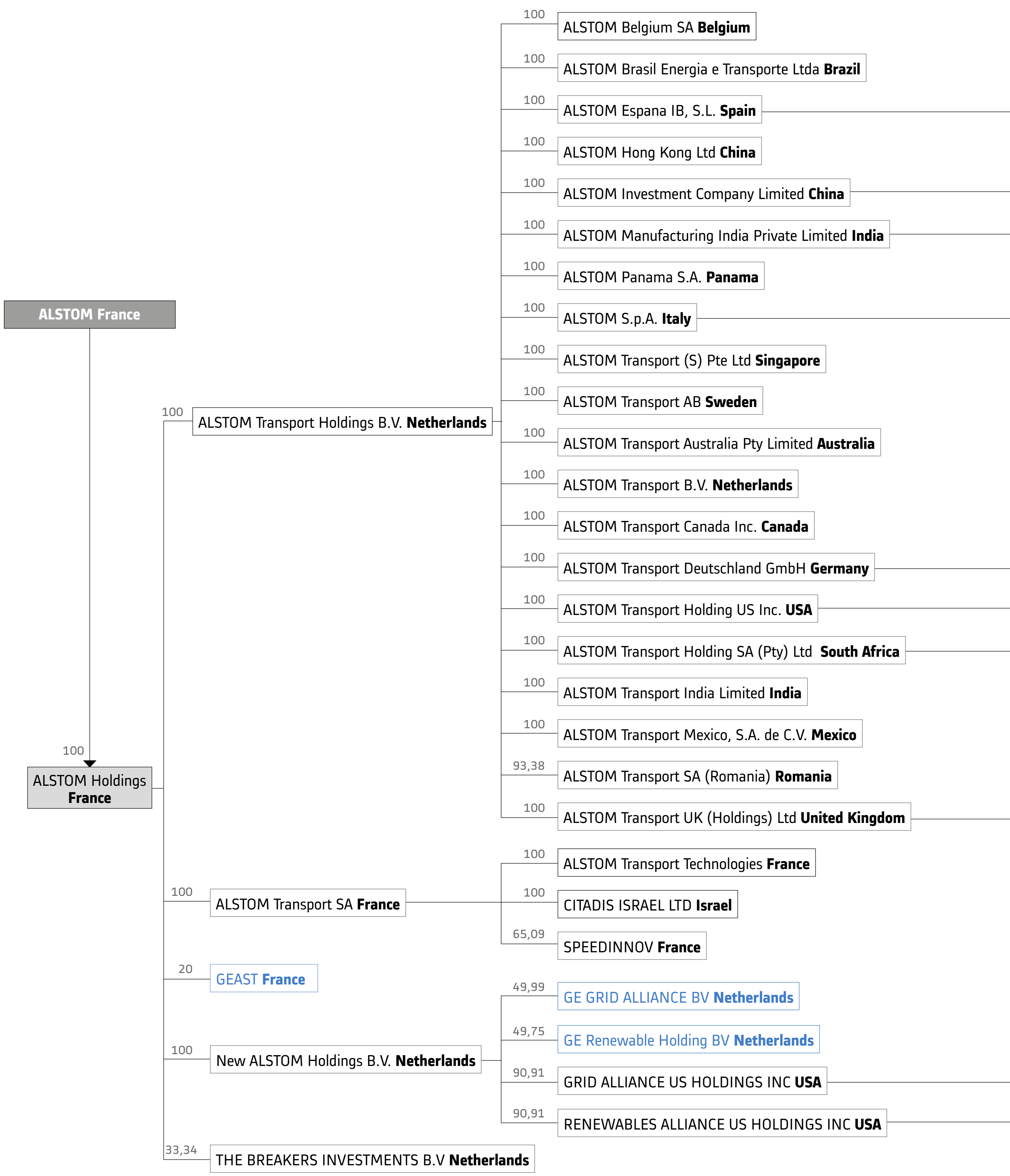
Source: Alstom

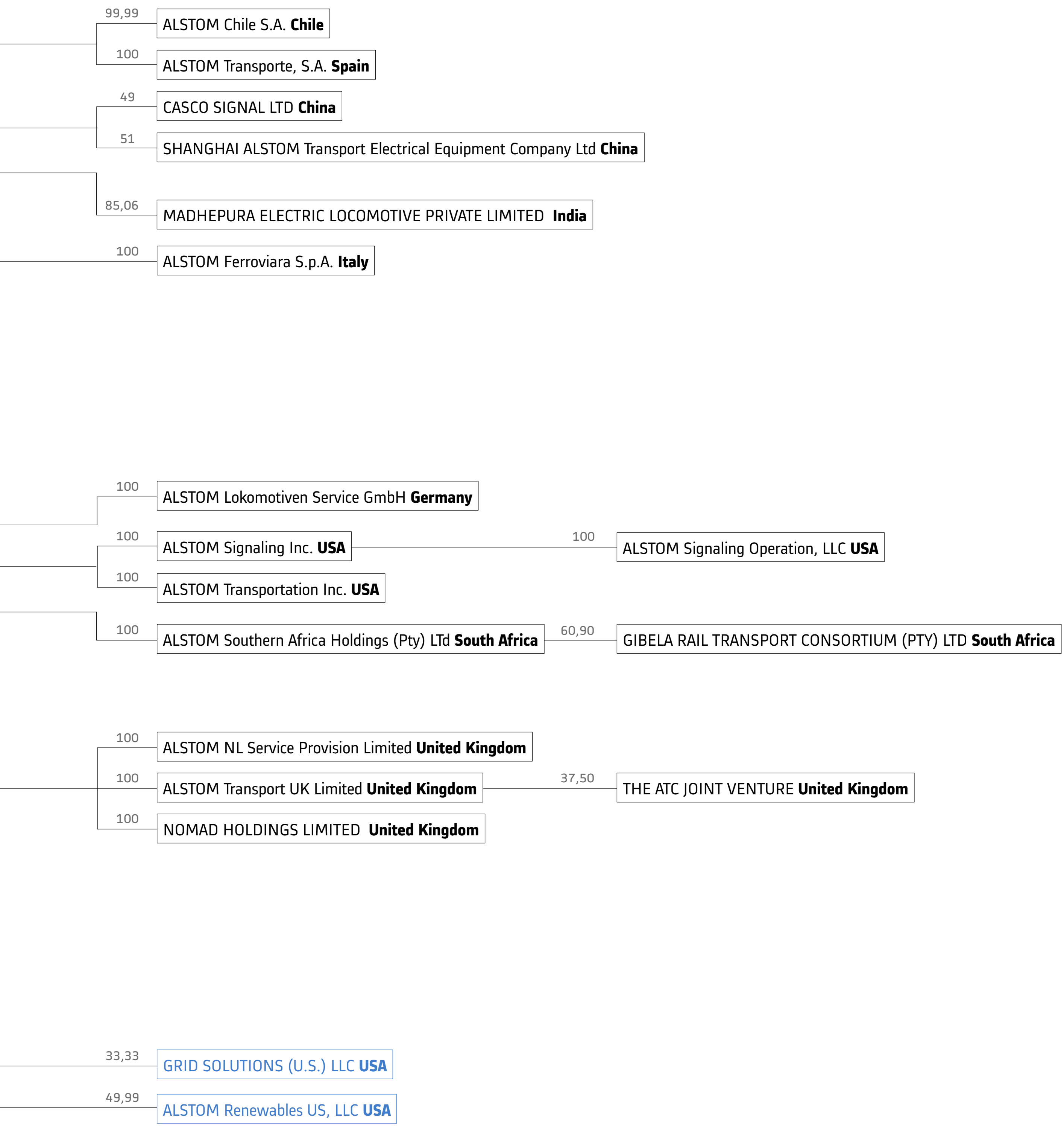
(1) On identified shareholders only.

ORGANISATION CHART AS OF 31 MARCH 2017

Organisation chart of the companies included in the scope of consolidation, which are also listed page [xx]. The figures are expressed as percentage and reflect the capital ownership.

Nota: *The joint-ventures with General Electric have a blue border.*




99,99
ALSTOM Chile S.A. **Chile**
100
ALSTOM Transporte, S.A. **Spain**
49
CASCO SIGNAL LTD **China**
51
SHANGHAI ALSTOM Transport Electrical Equipment Company Ltd **China**
85,06
MADHEPURA ELECTRIC LOCOMOTIVE PRIVATE LIMITED **India**
100
ALSTOM Ferroviara S.p.A. **Italy**
100
ALSTOM Lokomotiven Service GmbH **Germany**
100
ALSTOM Signaling Inc. **USA**
100
ALSTOM Signaling Operation, LLC **USA**
100
ALSTOM Transportation Inc. **USA**
100
ALSTOM Southern Africa Holdings (Pty) LTd **South Africa**
60,90
GIBELA RAIL TRANSPORT CONSORTIUM (PTY) LTD **South Africa**
100
ALSTOM NL Service Provision Limited **United Kingdom**
100
ALSTOM Transport UK Limited **United Kingdom**
37,50
THE ATC JOINT VENTURE **United Kingdom**
100
NOMAD HOLDINGS LIMITED **United Kingdom**
33,33
GRID SOLUTIONS (U.S.) LLC **USA**
49,99
ALSTOM Renewables US, LLC **USA**

INFORMATION ON THE **ANNUAL FINANCIAL REPORT**

The Alstom Annual Financial Report for fiscal year 2016/17, 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:

Sections of the Registration Document	Pages of the Registration Document
Consolidated financial statements	[40 to 109]
Statutory accounts	[112 to 129]
Management report	
• Management report on consolidated financial statements fiscal year 2016/17, which constitutes the Board of Directors' report on the Group management for the fiscal year ended 31 March 2017 and to which the Chairman's report (Article L. 225-37 of French Commercial Code), the report drawn up in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code are attached as well as the Statutory Auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board	[20 to 37]
• Group description of activities, which is included in the Board of Directors' report on the Group management	[4 to 17]
• Risk factors, which is included in the Board of Directors' report on the Group management	[138 to 154]
• Chairman's report (Article L. 225-37 of French Commercial Code)	[156 to 197]
• Information on social, environmental and societal commitments (Articles L. 225-100 and L. 225-102-1 5th paragraph of French Commercial Code)	[259 to 260]
• Comments on statutory accounts, information on trade payables, five-year summary results	[128 to 129]
• Agreements concluded by senior executives or major shareholders with a Company's subsidiary	[266]
• Details on shareholdings taken during fiscal years 2015/16 and 2016/17	[267]
• Financial authorisations, which includes the table of the authorisations to increase the share capital	[269]
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Statutory Auditors' report on the statutory financial statements	[130 to 131]
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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 2016, 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 consolidated and statutory financial statements for the fiscal year ended 31 March 2015, the Auditors' reports thereto and the Group's management report, as shown at pages 72 to 145, 148 to 166, 146 to 147, 167 to 172, 50 to 69 respectively, of the Registration Document No. D.15-0525 filed with the French Stock Market Authority *(Autorité des marchés financiers)* on 20 May 2015; and

The sections of these documents not included here are either not relevant for the investor, or covered in another part of this Registration Document.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT [(1)]

After taking all reasonable measures, I state that, to my knowledge, the information contained in this Registration Document is accurate. There is no other information the omission of which would alter the scope thereof.

I state that, to my knowledge, the statutory accounts and the consolidated financial statements of ALSTOM (the "Company") for the fiscal year 2016/17 are established in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of operations of the Company and all enterprises included in the consolidation perimeter, and the elements of the management report included in pages [20 to 37] and pages [138 to 154 and 4 to 17] presents a true and fair view of the evolution of the operations, results of operations and financial position of the Company and all enterprises included in the consolidation perimeter, as well as a description of the main risks and uncertainties faced by them.

I have obtained from the Auditors, PricewaterhouseCoopers Audit and Mazars, a letter of completion of work in which they indicate that they have verified the information relating to the financial situation and financial statements given in this Registration Document and have read the whole Registration Document.

The historical financial information presented or included by reference in the Registration Document has been the subject of reports by the Auditors included on pages [110 to 111 and 130 to 131] for the year ended 31 March 2017, and included by reference in this Registration Document for the years ending 31 March 2016 and 31 March 2015.

The Auditors' report on the consolidated financial statement for fiscal ending 31 March 2016 issued without qualifications draws attention to the following point:

- Note 1.1 "Alstom strategic move", Note 3 "Major changes in scope of consolidation" and Note 12 "Investments in Joint Ventures and Associates" which set out the accounting treatment and impacts of the transaction with General Electric including the sale of the Group's Energy activities, the acquisition of General Electric's Signalling business and the investments in the alliances with General Electric; and
- Note 30.2 "Disputes" which describes ongoing investigations by judicial authorities with respect to alleged illegal payments in certain countries.

The Auditors' report on the consolidated financial statement for the year ending on 31 March 2017 [TBC]:

Saint-Ouen, 3 May 2017.

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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