



REGISTRATION DOCUMENT
Annual Financial Report
2013/14

ALSTOM
Shaping the future

SUMMARY

REGISTRATION DOCUMENT 2013/14

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ALSTOM

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REGISTRATION DOCUMENT 2013/14

ANNUAL FINANCIAL REPORT



The original French version of this Registration Document was filed with the *Autorité des marchés financiers* (AMF) on 20 May 2014 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 responsibility 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 329.

This Registration Document is available on our website: www.alstom.com.

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MESSAGE OF THE CHAIRMAN

PATRICK KRON – Chairman and Chief Executive Officer



In April 2014 Alstom announced that General Electric (GE) had made a firm offer to acquire the Group's Energy activities, covering the Thermal Power, Renewable Power and Grid sectors plus the corporate and shared services. According to the terms of this offer, if the project is concluded, Alstom would focus on its transport activities, where it is a world leader. Patrick Kron, Chairman and CEO, after having commented on FY 2013/14, explains the reasons^(*) for an operation whose goal is to ensure the future for Alstom's activities and employees.

How would you describe the results for FY 2013/14?

Our order intake was lower than in 2012/13, in an unfavourable economic context. It should be remembered that the world market for thermal power plants has fallen from 260 gigawatts in 2008 to less than 150 gigawatts in 2013.

Although Thermal Power suffered from this difficult market's impact on new build, it nevertheless booked 11 orders for gas turbines, in line with its forecasts, and booked a record level of service contracts, which represented more than half of the Sector's orders.

Renewable Power achieved strong commercial performance, booking €2.6 billion of new orders in the hydropower and wind power markets.

Grid recorded €3.5 billion of new orders. This level was stable year over year, if we exclude the two exceptionally large HVDC contracts signed in 2012/13 in India and Germany.

Regarding Transport, the Sector once again recorded a solid level of orders, at €6.4 billion. Major successes were booked in Saudi Arabia with a turnkey metro project, in France with regional trains and in Chile with the modernisation of the Santiago metro system.

A reflection of our contracts' successful execution is sales, which increased 4% organically, driven by increased sales in Renewable Power, Grid and Transport, while Thermal Power's sales were stable.

Alstom continued cost reduction programmes over the past year. Did these efforts have an impact on your investment policy?

Not only did we continue these efforts, we intensified them. Cost reduction is the goal of our performance improvement plan, known as d2e (Dedicated to Excellence), which enabled us to reduce costs more than €500 million in March 2014 compared to the 2012/2013 cost base, thanks to the combined efforts of the Sectors and Corporate and shared services.

At the same time, we continued necessary investments to expand and strengthen our industrial facilities with expenditures of €565 million. These investments were used in Tianjin (China) to create the Group's largest hydropower industrial site and in Brazil to undertake the construction of the first tramway production line for South America, which Transport is going to install at the Taubaté site. R&D reached €733 million, including Grid's launch of an energy storage system that optimally balances energy flows on power grids and Transport's Axonis turnkey metro system for densely populated cities.

(*) Comments recorded on 14 May 2014.

You describe a situation that is altogether rather good for Alstom. Under these conditions why consider selling the Group's Energy activities?

Alstom's short-term future is not threatened, but my responsibility as the CEO is to address the strategic challenges facing Alstom and to prepare for the future. My concern and my objective are to ensure a future for each of Alstom's activities and its employees.

Why should we carry out such an operation now? Because the markets are experiencing structural changes in the energy sector more than elsewhere. The European market is down and under pressure. On top of this customers have increasing financing needs, while competition is intensifying from Asian players, who rely on a large domestic market and enjoy massive financial support.

Faced with this situation in the energy markets, Alstom doesn't have the critical size in these areas and can't remain alone, because this would constitute an uncertain and risky choice for the future. GE's offer can meet these strategic challenges by transferring our energy activities to a global player with the necessary resources to invest heavily in R&D and support customers around the world. The two groups' energy portfolios are extremely complementary.

- In Thermal power, Alstom and GE have complementary product lines in steam turbine and gas turbine technologies.
- In service activities, Alstom's comprehensive product portfolio matches GE's global presence perfectly.
- In wind power, Alstom is small in onshore wind power with a competitive product line in offshore wind power while GE is more focussed on onshore wind power.

- In hydropower, Alstom is a leading global player while GE isn't present.
- In power transmission, Alstom and GE offer complementary products and solutions and complement each other geographically.

This offer answers well to the strategic challenges that I mentioned. As explained, as part of process, it is planned that the Alstom Board will examine the offer and should it conclude positively, the information and consultation of Alstom employees' representative bodies will be conducted before entering into a definitive agreement. Completion of the transaction would be subject to merger control and other regulatory clearances and the approval of the shareholders. The Board has reserved the right to respond to unsolicited offers that could lead to a superior offer to Alstom.

If the project to sell the Energy activities is concluded successfully, Alstom will refocus on rail transport. Will the company have the critical size to confront the competition from major groups?

Alstom Transport is already a world leader, with 28,000 employees, nearly €6 billion of sales and a backlog of orders corresponding to approximately four years of operation. The Sector has the rail industry's largest portfolio in a growing market, driven by the increasing urbanisation around the world and the increasing environmental concerns. This excellent commercial, technological and industrial positioning is illustrated by the recently won contract for suburban trains in South Africa for a total of €4 billion, the largest contract in Alstom's history. Finally, if the energy transaction is completed, Alstom Transport will have the financial strength to fund its growth and seize acquisition opportunities.

Transfer the energy activities to a global player while strengthening our leadership in rail transport



1

DESCRIPTION OF GROUP ACTIVITIES

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

THERMAL POWER SECTOR

The Thermal Power Sector designs, manufactures, and delivers solutions that allow customers to generate competitive, eco-friendly, reliable and flexible power.

With over 100 years' experience in supplying turnkey power plants worldwide, Alstom also upgrades, refurbishes and retrofits all components for existing thermal power plants to maximise returns on customers' assets over their entire lifecycle.

Alstom's Thermal Power Sector has the industry's most comprehensive portfolio of thermal technologies – coal, gas, oil and nuclear – and holds leading positions in power generation services, turnkey power plants, and air quality control systems. Alstom is also a pioneer in carbon capture technologies.

INDUSTRY CHARACTERISTICS

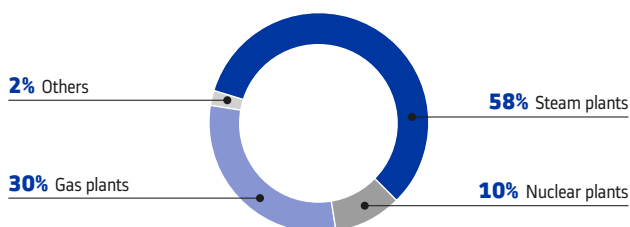
The thermal power market is witnessing several different trends, with a split between industrialised and emerging regions.

Emerging countries are faced with an urgent need for new generation capacity, for either thermal peak or base load, to meet the growing electricity demand, which is directly linked to their economies and demographic dynamics. Despite a slowdown in growth, in particular in India and East Asia, the emerging economies still remain the largest markets for new thermal power plants in the years to come.

In most industrialised countries, the expected global economic improvement has been postponed, which has affected investments in new thermal power generation facilities. However, the ageing installed base of power plants in those regions continues to drive strong and recurrent need for retrofit, sustained by environmental concerns and the need to reduce the cost of electricity.

The world's installed thermal power generation capacity in 2013 was estimated at a new record of 4,130 GW, growing at 2.5% year over year. The thermal installed base represents about 73% of the total installed base, with the rest constituted mainly of renewables.

GLOBAL THERMAL POWER INSTALLED BASE (GW)



Source: Alstom

Market evolution

The global market for new thermal power generation equipment in 2013 is nearly half what it was in the boom times of 2007/2008, before it was hit by the most serious economic crisis in 80 years (source: Alstom).

In Europe, continuing weak economic growth – even recession in some countries – and subsequent lower electricity demand have hindered the expected market recovery. Overcapacity and growing renewable penetration are lowering utilisation of thermal plants, making the business case for new build or sometimes even existing ones uncertain. As a consequence, the European thermal market suffered heavily again in 2013 reaching an historical low. While also low, the North American market stabilised, due to cheap gas prices and coal plant retirement now supporting a progressive recovery of the gas plant market despite a still weak electrical consumption growth and low electricity prices. Comparatively, emerging countries driven predominantly by China, Middle East and Africa have shown an overall sustained demand for new build, despite their more moderate economic growth levels.

Overall in 2013, orders for new build thermal power plants, driven by China, increased slightly compared with 2012. The installed base services market pursued its growth. The Air Quality Control System market benefits from a strong demand in China, representing more than half of the total market.

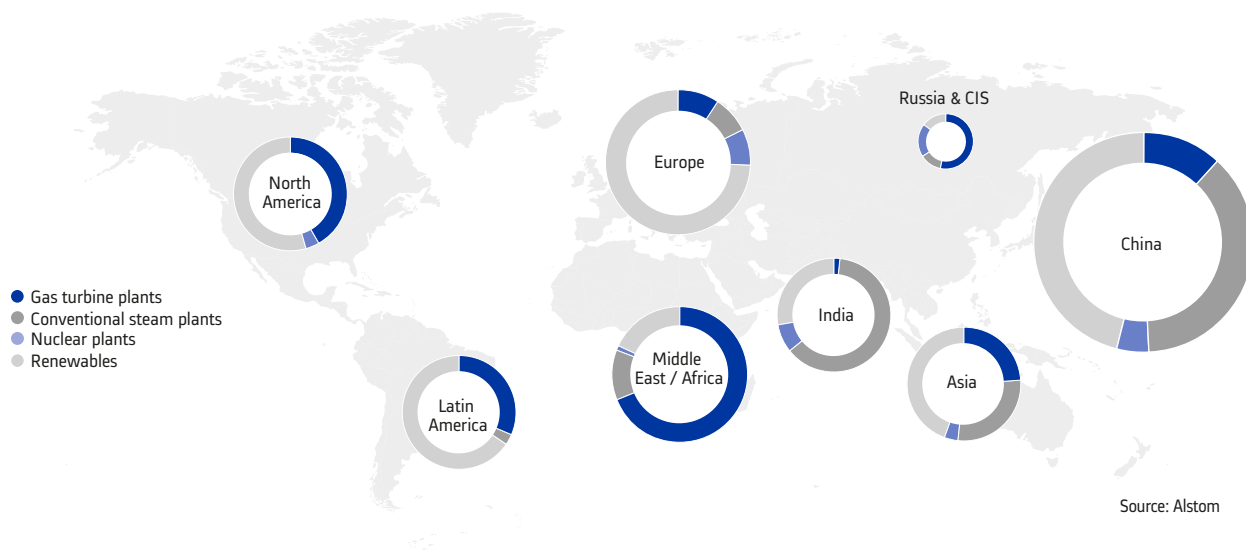
A progressive nuclear recovery is underway, with China's decision to continue its nuclear development and orders placed in China and Russia as well as active bidding processes in UK, Finland, Turkey and the Czech Republic. As for the existing nuclear fleet, there is a sustained retrofit market, combined with "stress tests" performed worldwide that will drive significant additional spending for safety enhancements.

The new coal plant market increased overall compared to 2012, with orders coming from China, while India is still suffering from a less favourable economic situation and from difficult access to fuel. Outside Asia, the steam market has remained at a low level, with the exception of the Middle-East and Africa where the market has proved resilient.

After a decline by almost 20% in 2012 from the previous year, the overall gas plant market tended to stabilise in 2013. A significant share of the market switched to China and South-East Asia despite high gas price in these regions (source: Alstom).

Over the coming years, new build growth should be supported by demand for gas power plants. Investment in new nuclear plants should re-start progressively in a number of countries. For new steam plants, investment should be moderate but will keep a significant share in the global thermal market, driven by the continuous need to add capacity in Asia and the Middle East.

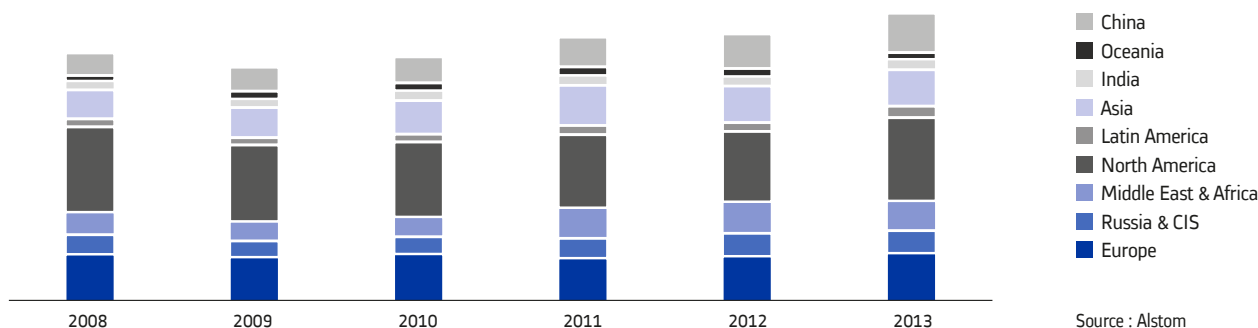
MEDIUM TERM GLOBAL POWER MARKET FORECAST
AVERAGE 230-270 GW P.A.



The service market drivers remain strong, notably in Europe and North America, where an ageing installed base has increased the requirement for regular equipment maintenance, lifetime extension and performance upgrades. Environmental products and retrofit markets should offer growing opportunities in mature countries, driven mainly by more

stringent regulations and the ageing of the installed base. In developing markets such as China, India, the rest of Asia or the Middle East, the increasing size of the installed base of power plants will progressively boost service needs.

THERMAL SERVICE AND RETROFIT MARKET



Market drivers

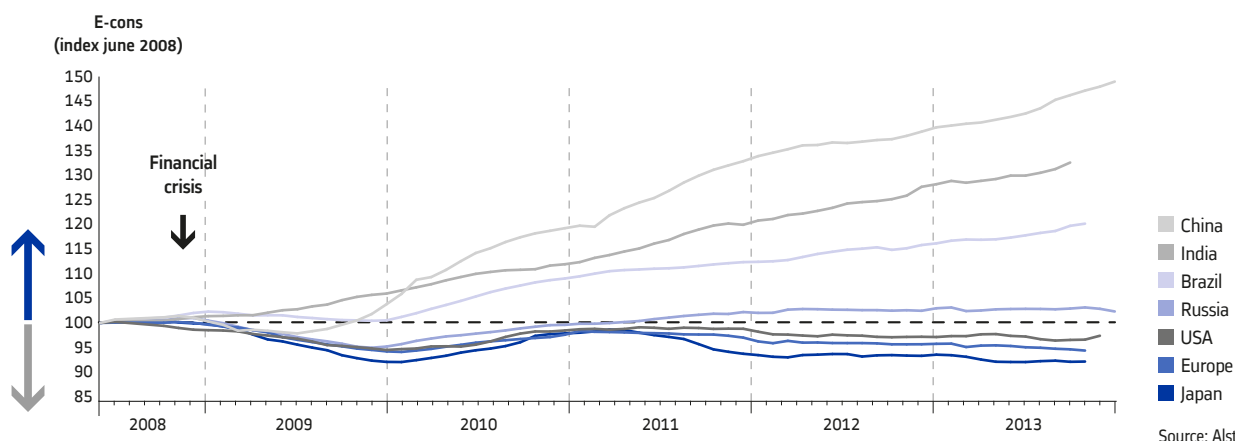
Economic growth

There is a correlation, particularly in emerging markets, between power consumption and Gross Domestic Product (GDP), since economic development drives consumption of electricity.

In mature countries, the ratio of electricity consumption to GDP, known as electricity intensity, is progressively declining due to a shift to a more service-based economy and increasing energy efficiency. After the decline in electricity consumption in 2009 mainly due to the economic recession, and its rebound the year after, most of these countries faced a protracted slowdown of GDP. On a more positive note, the US market has started to recover in 2013.

Growth in emerging markets has moderated in 2013. Although lower than expected in China, India and Latin America, the growth remained strong in the 3-8% range. In most of the BRICS, public policies will tend to boost internal consumption, which will increase power demand from the residential and commercial sectors, thus compensating the growth slowdown in the industrial sector. Global access to finance may also become more difficult as the US Federal reserve is reducing the size of their bond-buying program. Short term, this could affect infrastructure investments in emerging markets. Significant business opportunities are expected near term in Middle East, Africa, Eastern Europe, Eurasia and Turkey. On longer term perspective, power generation across most of Asia is expected to continue to increase substantially, with India remaining one of the highest-potential markets.

ELECTRICITY CONSUMPTION (TWH, 12 months moving average)

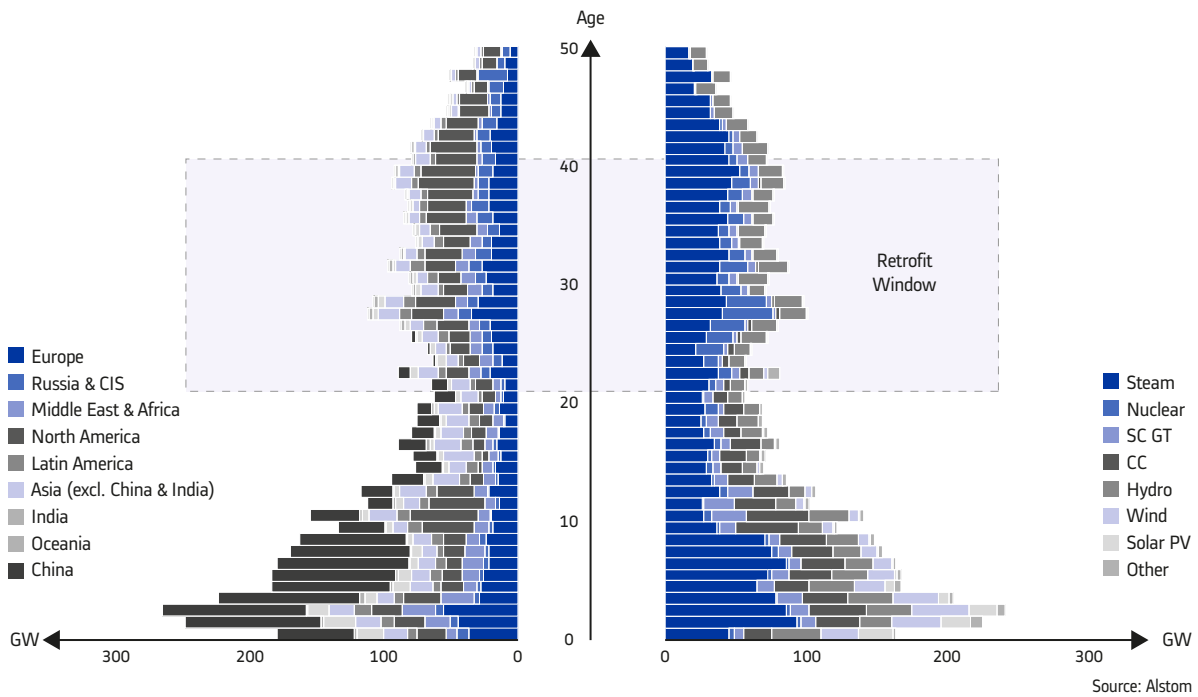


Installed base: ageing of power plants

The ageing installed base, along with stricter environmental regulations and increased fuel prices, should lead to higher demand for retrofit and modernisation solutions. In recent years, demand for maintenance and refurbishment has been strengthened by a general trend among power producers to seek increased performance, lower operating costs and extended lifetimes of their existing plants. The growing number of

old plants reaching retirement age will continue to drive the market for servicing and retrofits, as utilities strive to replace components to maintain current levels of installed capacity, or take the opportunity to increase the capacity of power plants to address the rising power demand at the same time. In parallel, some utilities in Europe have announced the mothballing of some of their older and non-competitive assets.

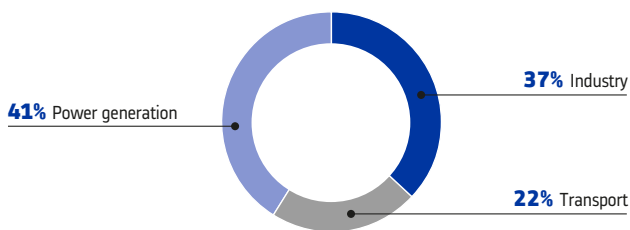
AGE PYRAMID OF WORLD INSTALLED CAPACITY
INSTALLED BASE 5,655 GW (2013)



Environmental concerns

All around the globe, environmental concerns highlight the need for lower emissions and water conservation in both existing and new power plants. A change in behaviour is clearly visible. Furthermore, fossil fuel prices, which are expected to remain structurally high in the coming decades – except in North America – are also contributing to demand for the improvement of efficiency rates. This will have a long-term effect in all regions of the world, although at different speeds.

CO₂ EMISSIONS FROM FOSSIL FUEL COMBUSTION



Source: IEA – World Energy Outlook 2013

The Intergovernmental Panel on Climate Change’s (IPCC) Fifth Assessment Report, released in 2013, emphasised man-made climate change and the growing risks it poses to the environment and human well-being. The United Nations Framework Convention on Climate Change (UNFCCC) is working on a new international agreement to be

reached at the Copenhagen Agreement 21 (COP21) in Paris in 2015. This would build on the commitments made by major greenhouse gas emitters under the Copenhagen Agreement in 2009.

Countries responsible for 67% of global emissions now have climate legislation or strategies. More measures and deeper cuts in emissions will be needed from 2020 onwards if the temperature rise is to be limited to 2°C. In 2013, COP19 proposed a roadmap to the 2015 agreement, to be negotiated at COP20 in Lima in 2014 and concluded at COP21. Commitments to deeper emission cuts, actions to decarbonise the global economy and support for the Green Climate Fund (GCF) will all need to be addressed.

Alstom has developed an innovative and advanced approach to assess the impact of its offering on the actual CO₂ emissions reduction, based on equipment operation at customer sites. Methodology and results are detailed in Chapter 6 on Sustainable Development.

Regulations

Country-specific regulations are creating both uncertainty and opportunities for the thermal power market. One prominent example is the US market, where the elevated regulatory focus on renewable generation, natural gas, and shale gas is expected to further dampen the investments connected to coal-fired power generation. In emerging economies on the other hand, there remains a continued interest for thermal power to fuel growth. These country-specific regulations as well as the access to fuels, such as availability of non-conventional gas, will play a major role in the energy mix of each country.

Alongside the importance of de-carbonising the industrial sector, there is also a global push for stricter environmental regulations on conventional pollutants such as SO₂, NO_x, particulates and mercury. In Europe and the USA, a number of regulations are already driving investments in environmental control technology for the installed power generation base. In Europe, the Large Combustion Plant Directive (LCPD), a European Union directive that aims to reduce acidification, ground level ozone and particulates by controlling the emissions of sulphur dioxide, oxides of nitrogen and dust from large combustion plants, has been recast into the single Industry Emissions Directive (IED), along with six other pieces of EU legislation on industrial emissions. This IED, combined with the Best Available Techniques Reference Documents (BREFs), continues to drive Air Quality Control System installations in new and existing thermal power plants.

In the United States, the Environmental Protection Agency (EPA) has rolled out the first national standards, Mercury and Air Toxics Standards (MATS) to control mercury, acid gases, particulates and dioxins & furans, driving a significant market for Air Quality Control System retrofit. Other proposed regulations include the NPDES Effluent Guidelines for the Steam Electric Power Generating Category, which would regulate waste water discharge for existing as well as new thermal power plants.

In the rest of the world, there has been an accelerated pace to implement more stringent regulations. In China, the Ministry of Environmental Protection issued new emission standards for new and existing thermal power plants, driving the demand for Environmental Control Systems and more efficient power generation equipment. With compliance deadline set for 1 July 2014, these regulations introduced on 1 January 2012 place more stringent limits on emissions of particulates, sulphur dioxide (SO₂), and NO_x, and specify new limits for emissions of mercury and other chemical compounds. Stricter rules are also emerging in India, as illustrated by the recently enhanced regulations for emissions of particulates. A similar trend is seen in most of the emerging economies where the introduction and implementation of environmental regulations are moving at a slower pace since the current focus is on the adequacy of electricity supply. However, these countries offer immense potential in the years to come.

While a wave of upgrades and modernisation driven by the need to comply is inevitable, the size, scope and extent should vary considerably from one country to another.

COMPETITIVE POSITION

Thermal Power holds strong positions in all of its businesses.

In the steam and gas turbine plant market (gas turbines, steam turbines, generators, boilers, emission control systems), the Sector is among the major players of the global competition, alongside Western ones such as General Electric or Siemens, Japanese ones such as Mitsubishi Heavy Industries or Toshiba, and other Asian ones such as Doosan Heavy Industries in South Korea, Shanghai Electric, Harbin Electric and Dongfang Electric in China and BHEL in India.

In the nuclear integrated turbine islands market, Alstom has been awarded over 30% of global orders in the last 10 years using its Steam Turbine Generator (STG) technology. The Group and its Chinese partner Dongfang continue to lead the nuclear STG market, with over 40% of

the combined Chinese technology market share in 2013. The other main players in 2013 were Shanghai Electric, TurboMachine and Toshiba (source: Alstom).

Having supplied equipment present in around 25% of the global installed base (gas turbines, steam turbines, generators, boilers, air quality control systems, balance of plant and instrumentation and control), Alstom has the experience and offering to best support customer needs throughout the lifecycle of the plant, enabling power plants to remain competitive in a changing energy market. In services for the installed base, Alstom typically competes with original equipment providers (Woodgroup/Siemens), independent service providers (Turbocare) and many local field service companies.

STRATEGY

The Thermal Power strategy is organised around three pillars: growth, technology and of Alstom's "Dedicated to Excellence" programme, aiming towards operational excellence.

Growth

Thermal Power's growth strategy encompasses five objectives:

Further expand service of the installed base

Thanks to its large base of installed equipment, the Sector has a unique position to support power generators with a broad range of service and retrofit solutions. Growth will be sustained by servicing the full share of Alstom Original Equipment Manufacturers (OEM) fleet, expanding the scope of service to existing service customers by providing them an increased value out of their equipment operation and supporting customers operating equipment not provided by Alstom.

Develop sales of components for power and industry

Thermal Power provides a full range of contractual options to meet customer needs, from turnkey plants to engineered packages and components. Stand-alone components (steam turbines, generators, gas turbines, auxiliaries, boilers, etc.) give customers the opportunity to have access to Alstom original technology and have elements integrated by a third-party of their choice.

Thanks to technologies derived from the power industry, the Sector aims to develop its solutions and equipment orders in selected non-power industrial applications.

Increase presence on the 60 Hz market

Historically, Alstom's presence has been stronger in the 50 Hz market. The 60 Hz new plants market is growing thanks to the expected rising gas market in North America, the sound market in Saudi Arabia as well as growing opportunities in Korea, Taiwan and in some parts of South America. The Thermal Power Sector aims at increasing its footprint and market share in these regions.

Develop Alstom products portfolio

Thermal Power currently has the broadest portfolio of thermal technologies on the market. The Sector is dedicated to developing its offering for existing or emerging equipment/services segments and maintaining its technology leadership in ultra-supercritical power plant components, the next generation of nuclear turbo-generator, a new range of gas and steam turbines or generators, services to existing power plant.

Strengthen presence in Asia, Russia and Middle East

Alstom forecasts that two thirds of the thermal power market (new equipment and service of the installed base) will be located in emerging countries over the next five years. Thermal Power will pursue its sustained efforts to expand in the emerging markets, relying on an adapted offering, a local footprint and strong partnerships with key regional players.

Technology

Technology is a vital part of both current and future success of Alstom. Through technology and continuous development of its products, the Thermal Power Sector improves its competitiveness and customer value along the lines of its "Clean Power, Clear Solutions" strategy: reducing cost of generated electricity, lowering environmental footprint, and increasing flexibility and reliability for major components and integrated power plants.

As part of this strategy, Thermal Power will further enhance the existing gas turbine range to address a changing gas market demand and explore entry in new segments, while sustaining its technological leadership in fossil steam turbines and generators for both the gas and the coal/oil markets. Ultra-supercritical boilers will also be a focus area for the Sector, with the objective of increasing the steam parameters and ultimately improving efficiency.

Regarding carbon capture and storage technology, the focus will be on continuing to selectively develop applications for power in steam and gas, as well as for industrial applications.

In nuclear, Thermal Power will further leverage the ARABELLE™ advantages and develop the equipment and offering to address the post-Fukushima market demand.

In plant automation and control systems, Thermal Power will develop the existing control system offering to cover the full scope of power plant automation and control.

Additionally, to better serve the installed base and maximise the customer asset plant lifecycle, Thermal Power will enhance its offering with some innovative concepts and a wider range of equipment and solutions.

Please refer to the Research and Development section for more information.

Operational excellence

With Alstom's "Dedicated to Excellence" (d2e) programme, the Thermal Power Sector wants to be recognised by its customers for its operational excellence. This programme aims at seeking operational excellence by implementing a thorough and disruptive transformation.

D2e aims at maximizing the Group's agility and change the way it works to help simplify the organization and reduce its operational costs, in order to make the most of current uncertain market conditions and ensure customers' satisfaction all along the value chain.

The Thermal Power Sector has ensured that the programme is deeply embedded within its operational processes, impacting its most essential aspects:

- cost reduction: target to reduce the total cost of major components, as well as adapting the Sector's footprint to the changing market conditions;
- lead-time (time between the start of manufacturing and the delivery to customer) reduction: ambition to reduce the overall lead-time of all major equipment;
- quality: significantly reduce the number of non-conformity reports (NCR) discovered at site;
- standardisation: increase in standardisation and modularisation of products;
- EHS & people: target the "zero accident" at Alstom offices and manufacturing sites.

Corporate social responsibility

Corporate Social Responsibility (CSR) is embedded into each pillar of Thermal Power's strategy. Indeed all of the Sector's activities meet stringent social, environmental and ethical standards. To find out more about the CSR strategy, please refer to Chapter 6.

OFFERING

Alstom's power generation offering is derived from a deep understanding of power markets and customer needs. Energy sustainability is one of the big issues that society faces today. Government and power companies are under pressure to provide more affordable, environmentally-sound and stable energy. Alstom delivers high-quality solutions to enable its customers to meet the challenges of energy sustainability and make the most of their assets during their entire lifecycle by:

- reducing cost of electricity generation, to ensure assets competitiveness;
- lowering environmental footprint, to make these assets increasingly eco-friendly;
- increasing flexibility and reliability, to ensure that assets can respectively:
 - adapt to fluctuating electricity and fuel markets conditions,
 - generate the required electrical load through maximised availability, reliability, and maintainability.

These three levers drive the Thermal Power product and portfolio development strategy.

Alstom offers solutions for new power plants:

- integrated power plants: steam power plants, combined-cycle power plants;
- engineered packages: power island, steam add-on;
- stand-alone equipment: steam turbines, generators, boilers, gas turbines, heat recovery steam generator (HRSG), emission control systems, auxiliaries like air preheaters, mills for coal and minerals grinding, CO₂ capture and storage systems;
- automation and control solutions for equipment and power plants.

To help customers keep their power plants competitive throughout their lifecycle, the Sector also provides a complete range of services for its own products but also for products from other manufacturers, including:

- power plant management: tailored service packages including Operation and Maintenance (O&M) agreements for plants' full lifecycles;

- consulting, advice and support: emissions and performance analysis, technical services, training, monitoring and diagnostics;
- solutions for emissions reduction, performance and flexibility improvements: modernisation, retrofitting, upgrades and lifetime extension;
- field implementation and field service: outage management, field repairs, erection, commissioning, construction and supervision;
- spare parts, improved parts and component repairs and reconditioning.

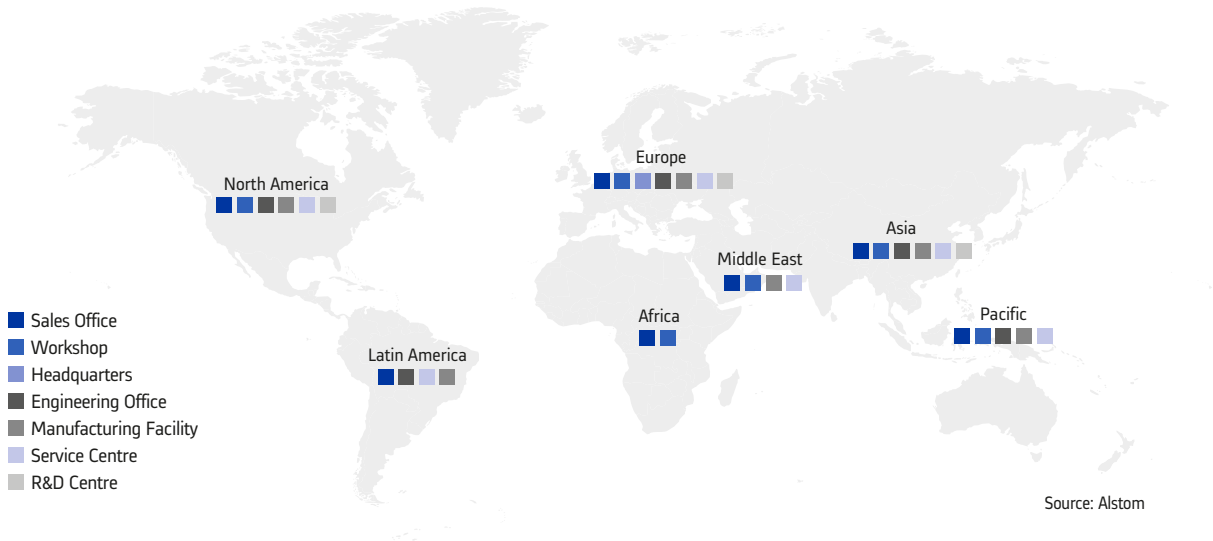
Through technologies derived from the power industry, the Thermal Power Sector also provides solutions and equipment in selected non-power industrial applications.

Global footprint

The Thermal Power Sector operates in all geographic markets and is present in over 70 countries with a worldwide reinforced manufacturing footprint. Recent footprint developments include:

- in India, a manufacturing site for steam turbines and generators in partnership with Bharat Forge is being built;
- in Russia, the site of a nuclear steam turbine generator assembly plant has been chosen, in joint development with Alstom's partner AtomEnergMash;
- in Saudi Arabia, the Sector opened a new state-of-the-art services workshop facility located in Rabigh. It handles the reconditioning of gas turbine components, as well as the inspection and repair of a wide range of other power plant equipment. Additionally, Alstom and Arabian Bemco Contracting Co. Ltd have signed an agreement to create a joint venture (JV) company, called Alstom Arabia Power Factory Ltd, which will establish a world-class manufacturing facility in the Kingdom for power generation components;
- in Vietnam, Alstom and EVN are working on a joint workshop to provide a gas turbine reconditioning services locally to EVN customers and for export.

A WORLDWIDE REINFORCED MANUFACTURING FOOTPRINT

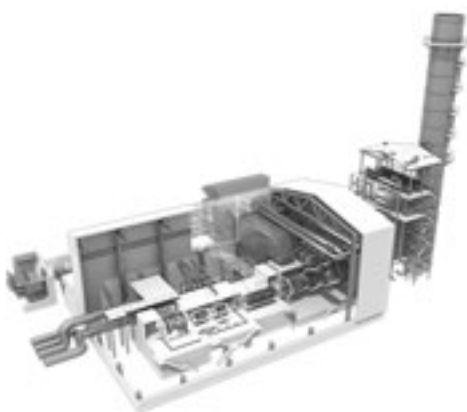


Thermal Power is also active on all continents through its engineering and/or research and development centres operating in over 50 locations. Finally, with a network of over 200 locations and over 30 centres of technical expertise in 70 countries, Thermal Power has a strong field services organisation worldwide.

Gas

Combined- or simple-cycle power plants

Alstom has a vast experience and knowledge in gas-fired simple- and combined-cycle power projects based on Alstom technology for gas turbines and all other key plant components. Alstom gas power plants are fully adapted to power markets that require more and more flexibility and are designed for both base-load and part-load operation, as well as for daily cycling (stop/start).



Whatever the operating configuration, these power plants are designed to provide outstanding operational flexibility and high plant efficiency, while minimising the environmental impact. Alstom's power plants delivered to date have been designed and optimised for various applications including cogeneration, district heating, desalination, and special industrial applications like aluminium and steel making industry.

With a comprehensive portfolio of reference plants and the technology ownership of all key equipment entering in a gas plant, Alstom can rapidly assess the most appropriate configuration and propose proven solutions.

Integrated solutions

Today, simple-cycle power plants are constructed whenever power generation capacity needs to be built rapidly and/or for peaking operations. Alstom offers simple cycle reference power plants with a high degree of customisation to meet wide-ranging customer requirements.

For efficient, flexible and competitive power-generating capacity, Alstom proposes combined-cycle power plant designs with optimised installation times, high-performance, low emissions, high operational and fuel flexibility features. The Alstom-made reference power plants are adaptable to various site conditions.

Alstom combined-cycle plants are also ideal for energy-intensive industries like aluminium and steel.

Alstom's project capabilities and references encompass the transformation of simple cycle into combined-cycle power plants (add-ons), and the conversion of steam power plants into combined-cycle power plants (repowering).

Alstom is also working to offer hybrid solutions to its customers. The ability of Alstom gas turbines to be flexible in part/low-load and base-load allows for the seamless integration of solar renewable solutions within combined-cycle power plants.

Integration of high temperature and pressure steam from Alstom's concentrated solar tower-based solutions directly into the steam turbine allows for the most efficient integrated solar combined-cycle power plants.

Products

Gas turbines

Alstom's high performance, low emissions, operational and fuel flexible gas turbines are successfully operating in simple- and combined-cycle power plants, in pure power generation and cogeneration applications around the world.

With around 1,500 gas turbines installed worldwide, Alstom delivers technologically innovative and proven gas turbines, offering:

- higher operational flexibility to support the development of power generation from renewable sources;
- higher base-load and part-load output and efficiency;
- lower emissions.

Alstom's gas turbine products span from 113 MW to more than 320 MW:

- GT26 (>325 MW) for 50 Hz;
- GT24 (>230 MW) for 60 Hz;
- GT13E2 (>200 MW) for 50 Hz;
- GT11N2 (>113 MW) for 50 Hz and (>115 MW) for 60 Hz (also available for low calorific fuels like blast furnace gas as GT11N2LBtu).

Steam turbines

In combined-cycle power plants, the thermal design of Alstom steam turbines delivers a highly efficient heat recovery cycle and offers excellent operational flexibility:

- STF30C: (150-400 MW);
- STF15C: (100-250 MW).

Turbogenerators

Alstom provides a full range of turbogenerators based on leading technologies for simple cycle and combined-cycle power plants:

- TOPGAS™ covers a power output range from 300 MW to 710 MW at 50 Hz and from 250 MW to 450 MW at 60 Hz.
- TOPAIR™ covers a power output range from 150 MW to 400 MW at 50 Hz and from 90 MW to 311 MW at 60 Hz. As a leader in air-cooled technology, Alstom has set the trend with TOPAIR™ by designing a simple, robust and highly reliable air-cooled turbogenerator resulting in low lifecycle costs for its customers.
- TOPACK™ covers a power output range from 40 MW to 165 MW at 50 Hz and from 40 MW to 110 MW at 60 Hz.

These turbogenerators are the result of continuous, evolutionary development that has pushed the limits of power output while maximising efficiency. At the same time, they are characterised by simplicity and ease of operation and maintenance.

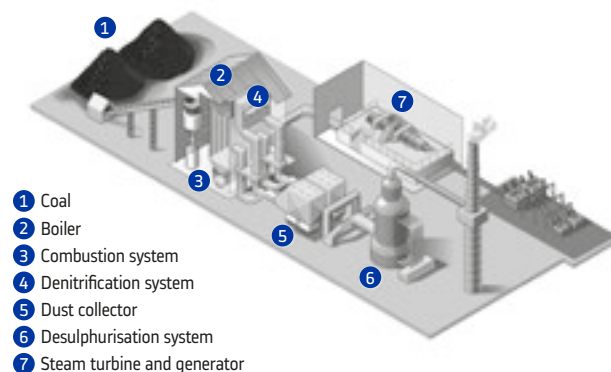
Heat Recovery Steam Generator (HRSG)

Alstom offers a complete range of HRSG, optimised for cycling and constructability that provide high performance in all modes of operation. More than 750 HRSG behind gas turbines of 50 MW and above have been supplied by Alstom, including drum-type and once-through HRSG, thus providing the Group with unparalleled experience in this field (source: Alstom).

Steam

Coal and oil fired power plants

With over a century's experience in building steam power plants, Alstom has the expertise, technology and product portfolio needed to meet its customers' specific requirements, combining fully integrated and optimised high performance solutions with reliability and full environmental compliance.



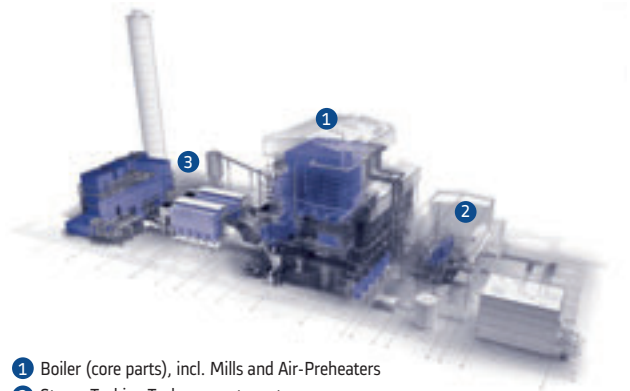
Alstom has the largest installed base worldwide, with approximately 30% of boilers installed around the globe using Alstom technology, totalling around 850 GW (source: Alstom). Alstom's experience includes subcritical, supercritical and ultra-supercritical steam range as well as a broad spectrum of fuels including all types of coal, oil and biomass. Alstom has developed firing systems for both suspension firing and fluidised bed that have been proven to offer the lowest emission levels with high combustion efficiency. Alstom drives technology improvements to increase efficiency and reliability while reducing all emissions including NO_x, SO₂, particulates and greenhouse gases.

Alstom manufactures, delivers, installs and services steam turbine generator sets from 15 MW to 1,200 MW. Today, Alstom's fleet represents more than 20% of the world's installed steam turbine capacity (source: Alstom). Alstom steam turbines for power generation solutions are available as back-pressure or condensing turbines with and without controlled steam extractions for a wide range of applications, including steam turbine power plants, combined-cycle power plants, cogeneration power plants as well as renewable applications, like concentrated solar power plants (CSP).

Integrated solutions

Alstom's Plant Integrator™ approach makes use of proven solutions tailored to meet each customer's specific needs. Alstom provides a comprehensive range of flexible integrated solutions for the full spectrum of required generation output. The steam power plants can efficiently operate in single or multi-unit arrangements, and with different types of boilers.

Alstom manages large-scale and complex projects, providing the entire range of services from technical engineering and sub-contracting to construction and commissioning.



- ① Boiler (core parts), incl. Mills and Air-Preheaters
- ② Steam Turbine Turbogenerator set
- ③ Air Quality Control System equipment (optional)

Alstom delivers all major parts of the power station, with in-house solutions to provide optimum performance for all steam cycles from 100 MW to the largest plants in service today. Its cutting-edge expertise with ultra-supercritical technologies ensures high efficiency. Alstom's position as a leading supplier of environmental control systems also significantly reduces the environmental impact of power plants. Moreover, Alstom's new steam power plants can be now designed to be CO₂ capture-ready.

In 2013/14 Alstom increased its integrated offering portfolio with the Integrated Power Package (i.PP), focusing on the needs of EPC customers traditionally sourcing power components only.

Products

Large steam turbines

Alstom offers a comprehensive portfolio of highly reliable, efficient and operationally flexible steam turbines for all fossil-fired power plant applications, with outputs of up to 1,200 MW.

In fossil-fired steam plants, Alstom steam turbines are compatible with the highest ultra-supercritical steam parameters:

- STF100: 700-1,200 MW;
- STF60: 500-900 MW;
- STF40: 250-700 MW;
- STF25: 100-350 MW.

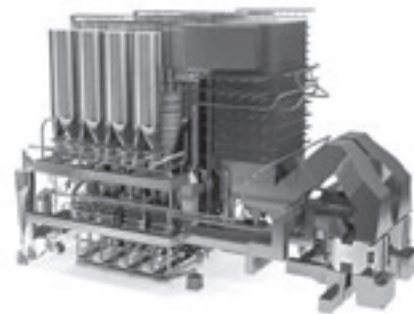
In cogeneration power plants, Alstom steam turbines enable highly flexible operation between power and heat demand and efficiently accommodate wide variations in process steam flows:

- COMAX™: 100-400 MW.

Boilers

Alstom offers a broad range of high-performance utility boilers and related equipment for an extensive range of fuels, providing high efficiency, reliability and operational flexibility combined with low emissions. This equipment range includes:

- suspension-fired boilers, up to 1,200 MW today, using advanced pulverised coal firing technologies;



- Circulating Fluidised Bed (CFB) boilers, up to 660 MW with ultra-supercritical steam cycles, particularly efficient in burning a wide variety of low-grade and difficult-to-burn fuels. In 2013 a new large CFB boiler (up to 660 MW) was launched, allowing Alstom's customers to burn very difficult fuels (such as oil shale) with high efficiency (USC steam parameters);
- oil and gas-fired boilers, up to 800 MW;
- boiler auxiliary equipment including air preheaters and coal mills as part of the boiler package as well as individual components.

Alstom's expertise in boiler technologies and firing systems provides the perfect blend of knowledge and experience to ensure that each fuel burns cleanly. Alstom has designed a family of low-NO_x tangential and wall-fired combustion systems to significantly abate emissions, such as NO_x.

Turbogenerators

Alstom provides a full range of turbogenerators based on leading technologies for steam power plants:

- GIGATOP™ 2-pole covers a power output range from 400 MW to 1,400 MW at 50 Hz and from 340 MW to 1,100 MW at 60 Hz. Alstom's GIGATOP™ 2-pole has demonstrated extremely high reliability in operation, resulting in low lifecycle costs for Alstom's customers;



- TOPGAS™ covers a power output range from 300 MW to 530 MW at 50 Hz and from 250 MW to 450 MW at 60 Hz;
- TOPAIR™ covers a power output range from 150 MW to 400 MW at 50 Hz and from 90 MW to 300 MW at 60 Hz. As a leader in air-cooled technology, Alstom has set the trend with TOPAIR™ by designing a simple, robust and highly reliable air-cooled turbogenerator resulting in low lifecycle costs for its customers. The largest air-cooled turbogenerator in operation is a TOPAIR™ at 340 MW;
- TOPACK™ covers a power output range from 40 MW to 150 MW at 50 Hz and from 40 MW to 90 MW at 60 Hz.

As for gas turbine turbogenerators, these steam turbogenerators are the result of continuous development that has pushed the limits of power output while maximising efficiency. At the same time, they are simple and easy to operate and maintain.

Auxiliary components

Alstom provides a full range of auxiliaries for both power generation plants and other industrial applications, such as the petrochemical, chemical and metallurgical sectors. These include:

- regenerative rotating heat exchangers:
 - air preheaters for coal and oil fired boilers,
 - gas-gas heaters for use on FGD systems;
- heat transfer solutions;
- mills: all types of grinding equipment, including bowl mills, beater wheel mills, tube mills, roller mills and impact mills for hard coal, lignite, limestone and most other minerals of use in power stations.

Air quality control systems

Alstom is the world-leading supplier of air quality control systems for power generation and many other industrial applications (source: Alstom). This wide range of post-combustion solutions addresses all existing and future emission-compliance needs for all traditional pollutants:

- control of sulphur dioxide (SO₂): above 99% reduction;
- control of nitrogen oxide (NO_x): up to 95% reduction;
- control of particulates: 10 mg/Nm³ or lower and PM 2.5 compliant;
- control of mercury emissions: above 90% reduction;
- control of other pollutants such as SO₃, HCl, HF, dioxins and furans.

Alstom is testing and demonstrating various oxy-combustion and post-combustion solutions for the capture of carbon dioxide (CO₂), and is currently proceeding with the commercial roll-out of these technologies.

CO₂ Capture and Storage (CCS)

Power generation today represents more than 40% of global CO₂ emissions. In 2035, under a “business as usual scenario”, two thirds of the global power generation will still come from fossil fuel power plants with CCS being seen as the only option to mitigate these emissions in order to meet global CO₂ reduction targets. The International Energy Agency (IEA) recently stated that “carbon capture and storage is not a substitute, but a necessary addition to other low-carbon energy technologies and energy efficiency improvements.” It also added: “fossil-fuel CCS is particularly important in a world that currently shows absolutely no sign of scaling down its fossil-fuel consumption.”

Alstom focuses mainly on post-combustion and oxy-combustion technologies, as these applications cover both new build power plants and the existing installed base.

- Post-combustion capture technology separates CO₂ from the exhaust gases using a solvent. Alstom has prioritised two technologies: advanced amines and chilled ammonia. These technologies can be applied to both coal-fired and combined-cycle gas-fired power plants.
- The oxy-combustion method burns the fuel in a mixture of oxygen and recycled CO₂ instead of air. This combustion produces a concentrated stream of CO₂ that can be easily separated and stored.
- Second-generation technologies, such as Chemical Looping Combustion (CLC) and Regenerative Calcium Cycle (RCC), are also being looked at because they offer the prospect of additional future benefits.

Alstom has implemented several pilot and demonstration projects: six units have completed tests in the USA and Europe. Seven units are in operation or in commissioning using oxy-combustion, chilled ammonia, advanced amines or second generation technologies.

Alstom has consequently engaged in the full commercialisation of this technology and is on track to deliver fully integrated CCS-enabled fossil-fuelled power plants to its customers across the world, well in time for the anticipated large-scale deployment of the technology into the 2020's and beyond.

To this end, Alstom is involved in several large-scale CCS demonstration projects in development, notably in China and in the United Kingdom. In the UK in particular, the White Rose CCS Project, a new 426 MWe high efficiency coal-fired power plant, to operate in oxy-combustion mode, capturing and storing ~2Mt CO₂/year. The project is being developed by Alstom, Drax Power and BOC-Linde, who have founded a Joint Venture called Capture Power Limited (CPL) to build, own and operate the oxy-combustion power plant. CPL has teamed up with National Grid Carbon for the CO₂ transport and storage part, and has been awarded for the Front End Engineering and Design (FEED) – part of UK's CCS demonstration programme – in December 2013.

In the medium term, CO₂ utilisation in the chemical and oil & gas sectors could also offer interesting spin-off opportunities for Alstom's CO₂ capture systems (CCU). For example, CO₂ has long been utilized to extend the production life of oil fields particularly in North America where demand for CO₂ is increasing. In addition, CO₂ is also used in the production of several chemicals and chemical intermediates where carbon pricing is leading many producers to re-evaluate their carbon management strategies, including the recovery of emitted CO₂. Alstom is actively pursuing several projects in these areas.

Nuclear



Alstom has been working for over 50 on continuously improving its nuclear turbine island design and integration while increasing the efficiency and reliability of all the main components to optimise its customers' investment, shorten delivery time and lower the operating and maintenance costs.

Alstom is the global leader in turbine island solutions for nuclear power plants: 40% of the world's nuclear power stations operating today use Alstom's technology (source: Alstom). The Group is committed to meeting its customers' needs by providing reliable, proven and state-of-the-art technology matching all types, sizes and technologies of reactors.

The turbines with the highest output in the world today are four Alstom ARABELLE™ turbines now in operation in EDF plants in France: Chooz B1 and Chooz B2; Civaux 1 and Civaux 2. These turbines have already notched up 400,000 operating hours and boast an outstanding reliability rate of 99.96%. This technology has been chosen to equip the new NPP currently in construction at Flamanville (France), which will deliver the highest output in the world from one single reactor.

Out of four nuclear power plants that went into commercial operation and were connected to the grid in 2013 around the world, two (Hongyanghe 1 and 2, in China) are equipped with Alstom's ARABELLE™ technology. Another example is Alstom's recent nuclear references in operation, units 3 and 4 of Ling Ao II power plant in China. These units entered commercial operation in 2010 and 2011, with a significant performance improvement compared to Ling Ao I. Thanks to the use of ARABELLE™ half-speed technology, the delivered power output has not only met but exceeded customer expectations.

Today, Alstom is able to offer the longest last stage blade (75 inches) available on the market, enabling plant owners to limit the number of low pressure modules, hence capital expenditures when building a NPP.

Overall, thanks to its optimised turbine island construction lead time as well as its best in class products performance and reliability, Alstom's technologies enable utilities and plant owners to maximize the output of their reactors, decrease their cost of electricity, and make nuclear-generated electricity a reliable and affordable power source.

Nuclear solutions

Alstom offers integrated turbine islands as well as a wide range of nuclear specific products. The Group is the most experienced turbine manufacturer able to fully design, engineer and manufacture all the main equipment of a turbine island for any type of nuclear reactor.

Alstom's core competencies cover all phases of implementation of the power conversion systems and all levels of integration, starting from turbine island basic and detailed design, including general turbine hall layout, civil work interface studies, supply of mechanical and electrical equipment, as well as instrumentation and control systems, project documentation and customer training, erection up to commissioning and performance testing. On top of its product expertise on a stand-alone basis, Alstom can provide in-house Engineering, Procurement and Construction (EPC) capability to propose a fully integrated turbine island offer.

Products

Steam turbines

Widely acknowledged as the most advanced in the market, the "half-speed" ARABELLE™ turbine offers outstanding power output (900 to 1,900 MW) and uses advanced technology: welded-rotors, unique combined High Pressure / Intermediate Pressure (HP/IP) module, wide range of last-stage blade for each frequency (50Hz and 60Hz), compact arrangement for fewer bladed rows. The ARABELLE™ technology brings significant benefits for the plant's owner and operator, especially unparalleled efficiency, reliability and highest availability, resistance to stress corrosion cracking, longevity (60 years) and facilitates operation and maintenance, bringing down the overall cost of electricity.

Turbogenerators

With an output range from 900 MW to 1,900 MW, in both 50 and 60 Hz markets, GIGATOP™ 4-pole, the turbogenerator behind Alstom's proprietary ARABELLE™ steam turbine, sets the benchmark for reliability and efficiency. Alstom's GIGATOP™ 4-pole is the world largest turbogenerator in operation today.

Heat exchangers

Alstom also offers a comprehensive range of heat exchange solutions, from consulting and field support to component supply and turnkey retrofit, for all kinds of power plants, steam, gas, solar, and nuclear.

Alstom's heat exchanger equipment is designed for up to 1,900 MW units, with an installed base of over 450 GW worldwide (source: Alstom).

The heat exchanger offering comprises three major product clusters: surface condensers, moisture separation/reheating equipment and feed-water heater systems.

Pumps

With more than 6,000 large pumps installed worldwide, Alstom has an unparalleled experience in designing, installing and maintaining large and specialised pumps for thermal power plants (circulating cooling water pumps, condensate extraction pumps, main and booster feed-water pumps).

Its outstanding pumps portfolio for nuclear, steam and gas power plants and for industrial applications includes:

- concrete volute pumps for cooling water;
- multi-stage barrel pumps for condensation extraction;
- tailor-made design of metallic volute pumps for feed-water pumps;
- metallic volute pumps, single suction and double suction, including:
 - essential cooling pumps,
 - residual heat removal pumps,
 - intermediate cooling pumps,
 - open loop cooling pumps;
- vacuum pumps;
- vertical turbine pumps.

Auxiliaries for nuclear islands

Emergency Diesel Generator (EDG) packages

In the last ten years, Alstom has installed over half of the world's integrated EDG packages for nuclear reactors, covering the whole emergency power range required, from 3 to 10 MW (source: Alstom). With a track record of less than 1% failure rate, Alstom EDG packages are totally reliable, reflecting Alstom's in-depth expertise in power plant technology and extensive experience in EDG packages engineering.

Liquid Purification Systems (LPS)

As a pioneer of clean energy, Alstom has developed leading-edge solutions for treating waste emanating from a nuclear power plant. The Alstom liquid waste treatment system and the boron recycling system are state-of-the-art solutions to ensure that nuclear power stations are clean power generation plants. They benefit from unique Alstom-developed and manufactured technology such as the Alstom jet-tray gas stripper. Alstom has supplied such systems for French, British, South African, South Korean and Chinese nuclear power plants.

Power automation and control solutions



This business is dedicated to the delivery of solutions for the automation and control of a power plant, or a portfolio of power plants, using all types of generation fuels: steam, gas, nuclear and renewables. It is a major component of the Clean Power, Clear Solutions technology strategy, as well as of the Plant Integrator™ offering.

Alstom's ALSPA® Series 6 product line includes a full range of products, systems and service solutions covering the entire control room with plant management operation and optimisation tools, plant and machine automation, asset management and online or remote monitoring and diagnostic systems.

These solutions aim at optimising the efficiency, quality, availability and safety of power generation plants and fleets, thus providing the means to obtain the best output from power plants, the right amount of power at the right time and the desired voltage or frequency in a protected and secure environment.

- **Efficiency:** Alstom offers solutions ensuring a power plant is running at optimal performance at all times. These include distributed control systems (DCS), machine-controlling solutions such as turbine governing and generator excitation, instrumentation and electrical balance of plant equipment.
- **Optimisation:** Alstom provides plant lifecycle and maintenance management solutions, as well as monitoring and diagnostic systems for rotating and non-rotating equipment of the plant. In addition, Alstom's portfolio includes advanced process control software and simulation tools to train plant operators, as well as test production scenarios for plant production scheduling optimization and fleet performance management.
- **Flexibility:** Alstom's control systems and solutions allow power plants to constantly adapt to the flexible generation demand characterizing today's power grid, in particular in adjusting to the surges of renewable power loads.
- **Services:** full range of products and services adapted to all needs for the installation and the maintenance of automation and controls solutions, starting from engineering, manufacturing, testing and system integration, through to training, lifetime extension or retrofit.

Thermal Services

Full and dedicated service provider across the entire plant

Having supplied equipment present in around 25% of the global power generation installed base (including gas turbines, steam turbines, generators, boilers, air quality control systems, balance of plant and instrumentation and control), Alstom has the experience and offering to best support its customers' needs throughout the lifecycle of the plant, enabling their power plants to remain competitive through a changing market (source: Alstom).

Its service and performance improvement solutions, adapted to all types of equipment and power plants, enable power plants to achieve competitive cost of electricity while ensuring safe and reliable operation, improved performance, reduced emissions, and extended operating lifetimes.

Through the acquisition and integration of various technologies, Alstom delivers effective solutions both for its own fleet and the fleet of other equipment manufacturers. This leads Alstom's thermal services to a unique position which is further developed through significant and dedicated investment in research and development for services, with a particular focus on solutions that reduce the cost of electricity, minimise environmental impact and improve performance.

Strong local presence

With more than 15,000 employees present globally through a network of over 200 locations in 70 countries, Thermal Power has the largest service organisation dedicated to serving the installed base within the industry, counting over 30 centres of technical expertise, 30 dedicated service factories, reconditioning centres, service workshops and mobile workshops.



New facility in Rabigh (Kingdom of Saudi Arabia).

Alstom's footprint and broad industry expertise enable it to support customers with strong technology and product portfolio, local service and engineering capabilities and quick access to expertise centres.



New reconditioning facility in Phu My (Vietnam).

In 2013 Alstom inaugurated a new service workshop in Rabigh (Kingdom of Saudi Arabia) and began work on a joint venture workshop for reconditioning of gas turbine parts in Phu My (Vietnam).

Integrated solutions

In-depth plant knowledge, experience and expertise in product and component integration enable Alstom to offer solutions at plant level to support its customers throughout the complete lifecycle:

- plant assessments: technical and economical assessments of existing plants taking into account market drivers and customers' improvement strategy to help optimise investment decisions and improve competitiveness;
- plant products: modular "add-on" plant improvement products focusing on performance, environmental impact and flexibility;
- plant retrofit: key technologies optimising the entire plant in a retrofit project rather than just the original components (all of them are in-house).

Products for all fuels and all equipment

Alstom offers services for all types of equipment in gas, steam, nuclear and industrial plants. With a large installed base covering all technologies, dedicated research and development and its large footprint and capabilities for service, Alstom has a comprehensive service and modernisation offer for its own equipment and other manufacturers'.



GT13E2 MXL2 first implementation at South Humberbank PS (UK).

- Alstom gas turbines: benefiting from the experience of a large installed fleet, Alstom delivers cutting-edge solutions to improve performance, reduce cost, extend lifetime and minimise emissions of a plant. Alstom's plant support centres, local expertise and workshops support customers to optimise their asset performance with customised service contracts, integrated plant services, state-of-the-art reconditioning, field services and solution packages for parts or upgrades. In 2013/14, Alstom released the MXL2 upgrade for the GT13E2 Gas Turbine, offering improved efficiency and power output.
- Gas turbines from other manufacturers: with dedicated resources and products, Alstom has the full capabilities to design and supply improved parts, field services, reconditioning, gas turbine upgrades and emission reduction solutions and long-term agreements for F-class, E-class and B-class turbines and combined-cycle plants.
- Steam turbines: Alstom has the capability to perform steam turbine service and retrofits with "impulse" (ITB) or "reaction" (RTB) turbine blading technology for Alstom and other manufacturers' steam turbines. With advanced solutions to improve performance and extend lifetime with minimal downtime and cost, Alstom is the global leader in steam turbine retrofits. Regardless of the original manufacturer and the existing turbine technology, Alstom's broad technology expertise allows customising solutions to match the customer's needs.
- Generators: Alstom has accumulated and developed the broadest technical portfolio and expertise, enabling customers to benefit from upgrades and rewind solutions for Alstom and other manufacturers' generators – whether hydrogen, water or air-cooled. Alstom's leading stainless steel technology and monitoring and inspection solutions ensure safe and reliable operation with minimal downtime and cost.
- Boilers: with the largest installed base in the world, Alstom offers a full scope of technical and engineering services – from parts to outages and repairs to component upgrades and engineered solutions – meeting today's growing environmental and economic demands for the world's ageing power generation installed base. Alstom provides products and services for Alstom fleets, Alstom-licensed fleets and other manufacturers' fleets worldwide.
- Air quality control systems: Alstom has the complete range of solutions for electrostatic precipitators (ESP), fabric filters (FF), flue gas desulphurisation (wet FGD and dry FGD), selective catalytic reduction (SCR) including advanced controls and inspection solutions and upgrades to meet new regulatory requirements and reduce cost.
- Nuclear conventional island balance of plant: with over 30 years of experience, Alstom offers a range of services for mechanical and electrical balance of plant including pumps, emergency generators, heat exchange systems and safety systems.

RESEARCH AND DEVELOPMENT

The Thermal Power Sector has a long-term research and development (R&D) programme in place. Its mission is to create and/or acquire the best available technologies to improve competitiveness and customer value for each lever of the "Clean Power, Clear Solutions" strategy: reducing cost of generated electricity, lowering environmental footprint, increasing flexibility and reliability of major components and integrated power plants. A strong emphasis was to support the platform initiative as a key pillar of the "Dedicated to Excellence" (d2e) initiative through modularization, standardisation activities.

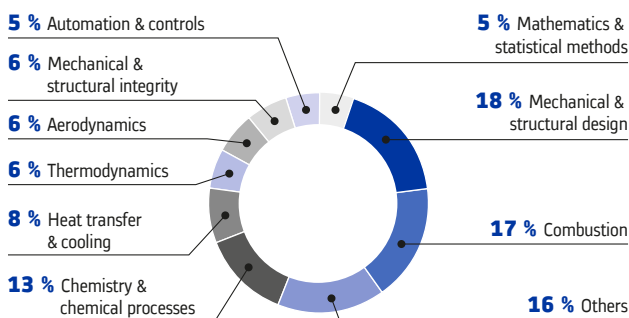
The R&D organisation at Thermal Power and its partners consists of more than 2,500 people. Around 60 transversal technology programmes develop product upgrades, new equipment and solutions. For example, a great deal of effort has been put into the following fields:

- materials & material processing: laser applications for material processing and production, high temperature alloys for steam boilers (700°C), advanced non-destructive testing, ceramic parts and coatings, thermal barrier coatings and thermal protection systems for flexibility of turbines, etc.;

- electrical insulation systems: materials and application processes;
- blade & sealing technologies;
- investment in test rigs for validation e.g. combustor test facility at the German Aerospace Centre (DLR) in Cologne (Germany);
- upgrade solutions for Alstom and non-Alstom fleets.

Thermal Power's R&D execution centres are located throughout Europe, North America and Asia. In addition to its internal resources, the Thermal Power Sector actively works with leading academic institutions to access facilities, expertise and research talent across the world. Alstom has active R&D collaboration relations with more than 350 universities and technology-leading industry partners, and participates actively in all important associations and standard bodies.

PATENTS, 2013



Source: Alstom

Recent technology developments and applications for thermal power components and solutions led the Thermal Power R&D team to apply for more than several hundred patents worldwide in 2013/14. About half of these were related to innovative mechanical designs, new combustion methods, chemical processes and new or improved cycles.

In gas technologies, the R&D focus has been and remains on providing flexibility and increased combined-cycle efficiency. Thermal Power continues to focus its R&D efforts on selected technological fields that are essential for the successful development of the next generation of gas turbines and upgrade packages: GT mass flow, innovative blades, cooling air reduction, ceramic thermal protection system and advanced manufacturing techniques. In 2013/14 Alstom, Rolls-Royce and the German Aerospace Centre (DLR) established a partnership to build a modern, unique combustor test facility as expansion of the infrastructure at DLR's Cologne site. The aim of the combustor test facility is to further increase the capability of combustors while at the same time significantly reducing exhaust gas and noise emissions from gas turbines.

For coal applications, the Sector's R&D ambition is to reach over 50% efficiency with reduced emission levels for large power plants, thanks to a long-term R&D strategic focus on advanced combustion, steam cycle and steam turbine blade technologies. In this area, Alstom's ultra-supercritical (USC) circulating fluidised bed (CFB) boiler technology has progressed and large USC steam turbines are now operating in Germany (Neurath, Boxberg) with very high levels of reliability. This technology allows higher flexibility and performance. Moreover, all components support a grid with high levels of intermittent renewables.

Thermal Power has been carrying out an intensive R&D programme over the past years to meet the technological and economic challenges of capturing the CO₂ created by fossil fuel-based electricity production. The White Rose 500 MW Carbon Capture plant in the UK was awarded a FEED contract as the largest demonstrator of CCS technology.

The chemical looping technology under development – allowing both full combustion with Carbon Capture, and partial combustion to Syngas according to demand – will prepare the next generation for CCS application.

In the field of nuclear, the Sector is paving the way for steam turbine generators adapted to future 4th generation nuclear reactors. Innovative concepts for power conversion systems are under investigation and modular steam turbine solutions for emerging small modular reactors. On a more short-term scale, a strong emphasis on design for manufacturability and cost reduction, but also turbine island modules and methodologies for short construction time support the D2E initiative. Alstom introduced the world's largest steam turbine low pressure module with corresponding blades. After the introduction of feed-water pumps with reduced power consumption, the speciality pump product portfolio is expanding into further applications.

In the Power Automation and Control Business, Thermal Power is focused on solutions that improve plant operation efficiency, enhance asset reliability and availability, support predictive maintenance strategies and optimise plant performance. Continuous improvements of the ALSPA® product line are made for distributed control systems or machine controls, as well as monitoring and diagnostics solutions with the newly introduced ALSPA® Care product range.

The R&D for thermal services aims at delivering technologies, products and services to improve and optimize availability, reliability, performance as well as operational flexibility of Alstom's customers' installed plants and components. R&D programmes are focussing on Alstom originally designed and installed equipment, but also and more specifically on non-Alstom originally designed equipment (OEMs). They are bringing to both Alstom and non-Alstom fleets a wide range of upgrade solutions for plants components (gas turbines, steam turbines, generators, boilers, environmental systems) to increase plant performances and flexibility such as emission level, efficiency at given loads regime, components life time, or power outputs while implementing state-of-the-art Alstom technology.

Another recent priority is plant availability improvement, through the development of fast inspection and repair technologies supported by advanced in-house robotic capabilities and the development of additive manufacturing technologies.

Finally, monitoring and diagnostic R&D programmes also focus on leveraging Thermal Power's fleet experience and plant data, in order to progressively move towards a more predictive maintenance.

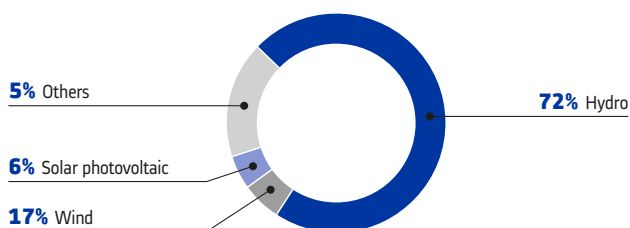
RENEWABLE POWER SECTOR

The Renewable Power Sector offers the most comprehensive range of renewable power generation solutions for integrated power plants covering hydroelectricity, wind, geothermal, biomass, solar (concentrated thermal and photovoltaic), as well as tidal stream energies. In addition, it provides individual components including all types of turbines and generators, and has a full range of services, including plant modernisation, maintenance and operational support.

INDUSTRY CHARACTERISTICS

The worldwide renewable installed power generation capacity was estimated in January 2013 at around 1,500 gigawatts (GW), representing 27% of this total installed base.

RENEWABLE INSTALLED BASE, 2013



Source: Alstom

Market evolution

Renewable power markets have been strongly growing over the past decade, and are forecasted to represent 40% to 45% of the new power plants (in GW) to be ordered over the next decade (source: Alstom). New orders should be driven by existing markets such as hydro and onshore wind, but also by more recent ones such as offshore wind and solar.

Compared to year 2012, which has been a low point in order volumes, the renewable power market as a whole was oriented upward in 2013. This trend should continue in 2014. Although the Gross Domestic Product (GDP) growth remained very low in Europe, the renewable market was able to resist and slowly recover due to the resilient support mechanisms.

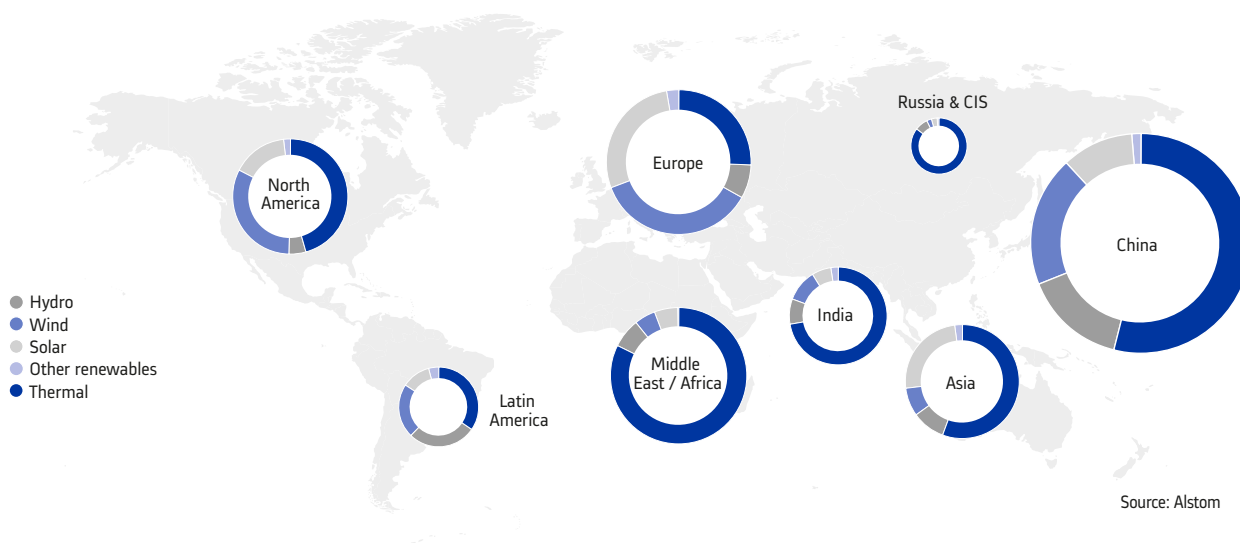
The new build hydro market remained below historical levels in 2013, comparable to the 2012 low reference. The good level of orders in North America and Africa was offset by the limited activity in China where no medium or large projects were ordered. In the coming years, China is expected to resume its large projects and should continue to be the largest market, representing approximately half of the total new hydro orders in gigawatts (GW), followed by the Latin American market which will also be boosted by some large projects. Further growth in hydro will also come from the service and retrofit market driven by the ageing installed bases in North America, Europe and Russia. Roughly half of the overall hydro market in value is expected to be driven by service and retrofit activities.

The onshore wind market rebounded in 2013, increasing in the major regions except China where it remained steady. In North America, the extension of the Production Tax Credit for one year resulted in a strong market volume in the United States. Latin America saw a dominance of wind against hydro, and was also an active contributor to the onshore wind recovery, particularly Brazil where wind power is now competitive with other energy sources. Tightening market conditions and overcapacity have resulted in strong competition, although these seem to have recently stabilised and even increased like in Brazil. China remained the largest wind market in GW, followed by Europe.

The offshore wind market is also taking off, emerging essentially in Europe today. Going forward, costs are expected to improve through the learning curve and offshore wind should grow over the next decade from the current 7% of the GW wind market to over 25%, primarily in Europe and China (source: Alstom).

The "new energies" markets (geothermal, biomass, solar and marine energies) slowed back in 2013. In geothermal, the market was below expectation, with delayed projects due to longer qualification of reservoirs and financing constraints like in Indonesia, Latin America and Africa. In concentrated solar power (CSP), the market is still in its early phase with few projects ordered in USA, Morocco and South Africa. The first large scale market reference in CSP tower technology should be coming into operation in 2014. The overall "new energies" market is expected to grow over the next 10 years. The development of storage solutions, performance and cost optimisations as well as new applications such as in hybrids will be key drivers in ensuring the competitiveness and growth of this segment. Geothermal and biomass markets should increase by 50% over the next decade (source: Alstom). Finally, the ocean market, currently in the development phase with numerous announcements of pilot farms, is expected to reach around 500 MW per year within ten years, with tidal power to emerge predominantly over the period and wave technology possibly taking off later (source: Alstom).

MEDIUM TERM GLOBAL POWER MARKET FORECAST
AVERAGE 230-270 GW P.A.



Market drivers

Demand for power generation equipment tends to be increasingly driven by environmental targets and regulations, subsidies and incentives schemes, as well as the ageing of the installed base. Other factors such as economic growth (especially for large hydro plants), fuel prices and availability, as well as energy management, are also key elements shaping the power market.

Harnessing renewable energy is a complex matter. For renewable power, in order to experience long-term sustainable growth, developers must eventually target what is commonly referred to as “grid parity”, which is achieved when the price of electricity produced by solar, wind or any renewable energy equals the price of electricity from the grid. In remote or particularly favourable areas, electricity produced locally from geothermal, solar or wind energy is already cheaper than

conventional sources of electricity requiring new distribution lines to be built and connected to the main transmission grid. But in most cases and technologies, this is not yet the case, and for now it can only be achieved through support schemes, such as feed-in tariffs or tax incentives.

The second challenge lies in the intermittent nature of most renewable energies. Typical examples are low solar radiation during cloudy days and varying wind patterns. The intermittency of renewables is pushing energy providers to look at ways of storing energy to guarantee stable supply or to have back-up power ready to respond to weather conditions volatility. This characteristic of renewable energy becomes more evident as the share of grid-connected renewables increases, spurring challenges and developments in both energy management and grid infrastructure. Hydropower has a strong role to play as an efficient way to store energy on a large scale.

Climate change concerns and political targets

The Intergovernmental Panel on Climate Change (IPCC)'s fifth assessment report confirms the growing urgency of action to address climate change. In parallel with the United Nations Framework Convention on Climate Change (UNFCCC)'s efforts to broker a new international climate change agreement, a number of countries have announced targets for domestic greenhouse gas emissions (GHG) reduction, with a strong role to be played by generating power from renewable sources.

Country/Regions	Targets and timeline
EU	Reduce GHG by 20% in 2020 compared to 1990 level and reach 20% of renewable in energy consumption by 2020
Russia	Reduce GHG by 15%-25% in 2020 compared to 1990 level and reach 2.5% of renewable in power generation by 2020
Turkey	Reach 30% of renewable in power generation by 2030
Egypt	Reach 20% of renewable in power generation by 2020, including 12% from wind
Morocco	Reach 42% of renewable in the energy mix by 2020
Algeria	Reach 40% of renewable in final electricity consumption by 2030
South Africa	Reach 17.8 GW of renewable capacity by 2030
Saudi Arabia	Reach 15% of renewable in the energy mix by 2020
Brazil	Reduce CO ₂ emissions by 36-39% by 2020 compared to business as usual baseline, and continue to generate more than 80% of power from renewable sources through to 2030
Mexico	Reach 35% of renewable in the energy mix by 2024 (i.e. 28 GW)
China	Improve carbon intensity by 40-45% by 2020 compared to 2005 level and 20% of electricity to come from renewable sources by 2015. Reach non-fossil fuels share of 15% in primary energy consumption by 2020.
India	Improve carbon intensity by 20-25% by 2020 compared to 2005 level
Australia	Cut carbon emissions by 5-25% by 2020 from 2000 level (based on actions taken by other states) and reach 20% of renewables in power generation by 2020

In addition, other countries have taken initiatives supporting this trend. In the United Arab Emirates, the Masdar city project in Abu Dhabi will rely entirely on solar energy and other renewable energy sources. In the USA, there are still no federal laws setting a specific target for renewable power; however at State level, mandated Renewable Portfolio Standard (RPS) policies play a similar role. In Canada, ambitious renewable targets – while non-binding – are set at provincial level.

Clean energy mechanisms

The success of “new” renewable energies (mainly wind and solar – but not accounting for large hydro that is one of the most proven and economical ways of generating electricity) differs greatly between nations, as much due to both the policy context in each country and their actual natural potential. In many countries, policy incentives have led to fast expansion of new renewable capacity, sometimes even outpacing the targets set by governments. This has brought rapid cost reductions for some technologies and a consequent downward adjustment in support or a move to auction-based measures. As the costs of generating electricity from the more established technologies reach “grid parity”, the support from incentives should shift towards emerging technologies such as concentrated solar power or marine energies where it is most needed.

There are several types of renewable incentives schemes. The first can be defined as investment-based, providing rewards for the initial investment, regardless of how much electricity is generated. Common types are investment tax credits, loan guarantees or accelerated depreciation. The second is production-based and provides an award that is proportional to the actual power generated. Feed-in tariffs and production tax credits are common examples. The Feed in Tariff (FiT) has been a particularly successful way for policymakers to introduce renewables, by ensuring a price premium for the power produced. This leverages private sector funding to support the high capital costs of building the plant by giving confidence to developers and investors in the future revenue stream. Renewable portfolio standards have also been implemented both at national and state levels, for example in the United States, to require that a certain proportion of power comes from renewable sources by a given date, sometimes accompanied by a system of tradable certificates. Another way for countries to engage in renewable programmes can be through dedicated auctions and tenders organised by governmental entities that invite developers to bid with a price ceiling per megawatt hour.

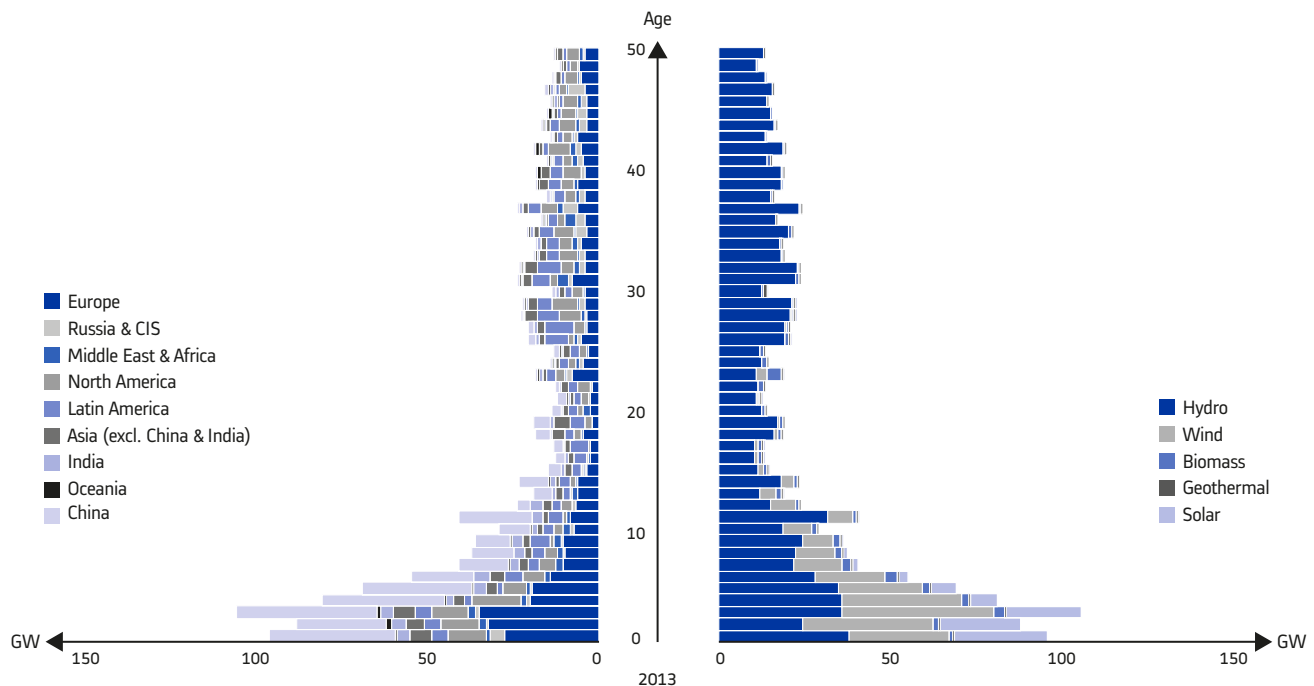
Ageing installed base of power plants

The ageing installed base and increasing fuel prices should lead to a higher demand for retrofit, which is becoming a growing part of the renewable power market. The retrofit business window has been around for decades in the hydro business and has benefited power plant manufacturers such as Alstom. The Group believes that the large worldwide ageing installed base will be a significant source of future growth for its service and retrofit activities, especially in Europe and in the USA, but also increasingly in other regions such as Asia.

The growing number of old plants will continue to drive the market for servicing and retrofits as utilities strive to replace components to maintain current levels of installed capacity, or take the opportunity to increase the capacity of power plants to simultaneously address rising power demand, or extend the lifetime of the plant.

By carrying out an integrated analysis of power plant equipment, operation and maintenance, individual plants can be improved to run more efficiently, thus cutting, enhancing performance and reducing carbon footprint.

AGE PYRAMID OF RENEWABLE INSTALLED BASE
1,500 GW IN 2013



Source: Alstom

COMPETITIVE POSITION

In hydroelectric power generation, the main competitors are Voith Hydro, Andritz Hydro, Toshiba as well as Harbin, Dongfang and BHEL.

Alstom wind's main competitors are Vestas, General Electric, Gamesa, Suzlon/Senvion, Enercon and Siemens.

In geothermal power generation, Alstom faces competition in turbine and component supply from Japanese suppliers such as Mitsubishi Heavy Industries, Toshiba, Fuji and Ormat.

In solar thermal power, Alstom and its partner BrightSource Energy, compete mainly with Abengoa, Sener and Solar Reserve.

The competitive strength of the Renewable Power Sector includes its strong global presence and references, a broad portfolio of existing and under development renewable energy technologies, continued investment into R&D, project execution expertise and strong relationships established with all key power generators worldwide. Renewable Power technologies offer an improved availability and increased efficiency of energy conversion as well as lowered construction and maintenance costs. Its integration and control solutions also offer the ability to manage renewables within a complex fleet. The close link with the Grid Sector provides the opportunity to offer customers integrated solutions for power production and distribution.

STRATEGY

The Renewable Power Sector strategy is built around three pillars allowing a profitable development in its different activities and geographies: developing existing product ranges and capturing commercial growth opportunities (**Growth**), leveraging R&D selectively to offer state-of-the-art products and services (**Technology**) and regaining competitiveness by revisiting processes to reinforce operational excellence (the “**Dedicated to Excellence**” programme).

Growth

Develop hydro generation in growing geographies through an extended offer

Within the hydro generation market, Alstom enjoys a leading position worldwide in large projects, retrofit and pump storage. The Group wants to be involved in the large hydro projects that are expected notably in Asia, Latin America and Africa over the next few years. Growth opportunities will also exist in Russia and CIS, through the joint-venture with RusHydro which started in 2012. In complement to these geographical developments, Alstom aims at improving its footprint and competitiveness in the medium-size hydro segment. With increasing and ageing installed bases in both hydro and wind industries, service and retrofit market accounts for a key segment which Alstom will continue to address through the development of a dedicated expertise as well as product and services offering.

Become a leader in marine energies

Since the award in April 2012 of three wind offshore farms to the consortium led by EDF-EN for which Alstom is the exclusive turbine supplier (Saint-Nazaire, Courseulles-sur-Mer and Fécamp for a total of around 240 wind turbines), Alstom has confirmed that four facilities (nacelles, generators, blades and towers) will be set up in France (the first stone of the Saint-Nazaire factory for nacelles was laid in early 2013), and has successfully erected its HALIADE™ prototypes, both onshore at Le Carnet (France), and offshore at Ostend (Belgium). The Sector is also targeting other large offshore wind markets in Europe (Germany, UK) and the United States, where it has signed a contract with US offshore wind developer Deepwater Wind to supply five HALIADE™ 150-6 MW offshore wind turbines. Alstom aims at positioning itself as a leader in this growing part of the renewable energy mix, which requires large, efficient and reliable turbines.

For the tidal activity, the development of prototypes, demonstration and pilot activities will be the key priorities to bring Alstom’s technologies to market as early as possible. The acquisition of Tidal Generation Limited in 2013 will significantly contribute to achieving this goal. From its immersion in January 2013, at the European Marine Energy Centre in Orkney (Scotland), Alstom’s tidal device has reached the full nominal power of 1 MW in July 2013 after a series of gradual increases in power and has generated dozens of MWh injected into the grid since then. Alstom is one of the very few companies to have produced energy on the grid with an immersed tidal turbine.

Leverage the ECO 100 range in all suitable areas in onshore wind

With one of the most demonstrated 2.7 to 3 MW platforms for onshore applications, Alstom can address new wind markets for all wind conditions. The ECO 100 range was extended with a new high-capacity factor low wind turbine, the ECO 122, successfully deployed in 2013. On the onshore field, Alstom is now a market leader in Brazil and will continue its development strategy in Latin America. The sector intends to expand towards commercialising larger-scale wind farms.

Grow selectively in New Energies

Alstom aims at building and developing an affordable, sustainable and reliable offering in Engineering, Procurement and Construction (EPC) for solar, geothermal and biomass projects. For its EPC activity in solar, Alstom will leverage the partnership with BrightSource Energy in solar (Concentrated Solar Power tower technology) to secure further solar projects across Africa and Middle East. In geothermal and in biomass, Alstom will build on its long track record in project fields to further develop and adapt globally the offering to market requirements.

Regarding the industrial steam turbine activity, Alstom’s priorities are focused on further developments of its products in order to complete its portfolio, and on industrial footprint in emerging countries (mainly Brazil, Russia, India and China) to expand the Group’s range of products market coverage.

Technology

Continue to improve performance in hydro through a more platform-oriented approach

In hydropower, technological development is focused on continuous improvement of the performance and reliability of the current product portfolio as well as the development of new technologies. New developments such as variable speed pump turbines and permanent magnet generators as well as the reinforcement of its operation and maintenance expertise for the installed base, will allow Alstom to keep its technology leadership. Environmental design is also an important axis of improvement with the development of green solutions such as fish-friendly turbines, oil-free components or dissolved oxygen. Alstom will develop the next generation of hydro turbines and generators through its global R&D centres in Europe (Grenoble and Birr), and innovation and test capacities closer to key markets such as China, Canada (retrofit), Brazil (Kaplan turbines), Europe (especially variable-speed technology) and India (Pelton turbines).

Deploy the new wind onshore platform and develop the offshore platform

ECO 100 platform will accelerate its portfolio's expansion through upgrades of existing products, introducing advanced solutions such as de-icing or radar friendly devices. In offshore, HALIADE™ 150 will continue its demonstration phase and enter into industrial production at a larger scale, the portfolio being broadened in the mid-term by a new HALIADE Medium Speed. The integration of critical components, including blades, permanent magnet generators or towers, and the development of floating offshore wind solutions will also be key to maintain Alstom at the forefront of the competition in terms of technology.

Deliver a complete solution for Tidal

Alstom is currently in the process of building a full solution, which will be ready for pilot farm projects in 2016/17, including modular turbine platform, optimized foundation, interconnection solution, competitive installation process and Operation & Maintenance (O&M) offering.

Focus on storage solutions for Concentrated Solar Power (CSP)

Storage is a key challenge across all Renewable energy sources, and especially for Solar. On top of its activities in concentrated solar power, Alstom is focusing R&D on storage (Molten Salt Central Receiver) and on the integration of PV/CPV with e-storage.

Seek operational excellence

Alstom is dedicated to maintaining excellent customer's satisfaction, through the delivery of world-class project execution and quality, based on the highest standards in Environment, Health and Safety (EHS) as well as Ethics & Compliance.

Within the frame of Alstom's "Dedicated to Excellence" (d2e) programme, the Renewable Power Sector has launched a number of initiatives across main operating functions, to secure overall profitability and sustainability: reduce manufacturing costs and lead time thanks to platform approach, optimise sourcing strategy, adapt footprint sizing to markets, and get full benefit from external public funding.

Corporate social responsibility

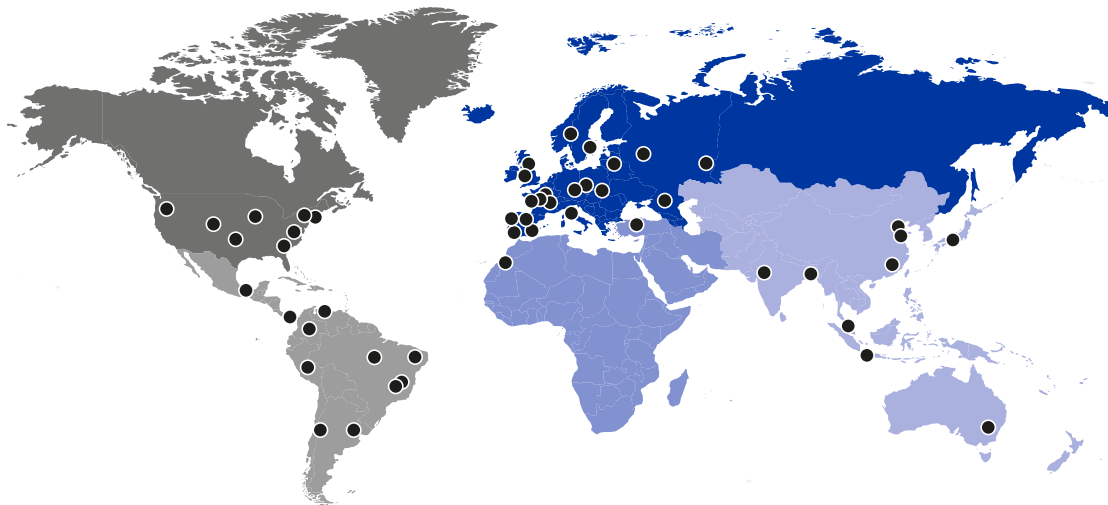
The Renewable Power Sector is taking its part in the overall increase of renewable energies needed to meet the fast growing energy need while limiting the CO₂ emissions. Bring sustainable energy to people and organisations in a long term perspective is thus at the heart of its ambition.

OFFERING

The Sector's offering is based on a deep understanding of renewable power markets, customer needs and technologies. It is organised around three levers driving Alstom's product and portfolio development in order to maximise returns of customers' assets over the entire lifecycle by:

- reducing the cost of electricity generation to ensure assets competitiveness;
- lowering the environmental footprint to make these assets increasingly eco-friendly;
- increasing flexibility and reliability to ensure assets can respectively adapt to fluctuating electricity and fuel markets conditions as well as generate the required electrical load through maximised reliability, availability and maintainability.

MAIN INDUSTRIAL, ENGINEERING AND R&D CENTRES



NORTH AMERICA

- Canada**
 S ⚙️ Sorel – Tracy
 S Granby*
- Usa**
 ⚙️ Amarillo ⚙️ Richmond
 S ⚙️ Littleton ⚙️ Schofield
 S ⚙️ Monroe ⚙️ Windsor

LATIN AMERICA

- Argentina**
 🏠 Buenos Aires
- Brazil**
 🏠 Camaçari
 ⚙️ Canoas
 ⚙️ Porto Velho (JV)
 🏠 São Paulo
 S ⚙️ Taubaté
- Chile**
 🏠 Santiago
- Colombia**
 S Bogota
- Mexico**
 🏠 Mexico City
- Panama**
 🏠 Panama City
- Peru**
 🏠 Lima
- Venezuela**
 🏠 Caracas

EUROPE

- Austria**
 S 🏠 Vienna
- France**
 ⚙️ Belfort
 ⚙️ Cherbourg*
 S ⚙️ Grenoble
 ⚙️ Levallois
 ⚙️ Nantes
 ⚙️ Saint-Nazaire*
 🏠 Toulouse
- Hungary**
 ⚙️ Budapest
- Italy**
 🏠 Milano
 🏠 Roma
- Norway**
 S 🏠 Oslo
- Poland**
 ⚙️ Elbag
- Portugal**
 ⚙️ Lisbon
- Russia**
 S ⚙️ Moscow
 🏠 Nevinnomyssk
 S ⚙️ Ufa (JV)*
- Spain**
 S ⚙️ Barcelona
 S Bilbao
 ⚙️ Buñuel
 ⚙️ Rio del Pozo
- Sweden**
 S 🏠 Vasteras
- Switzerland**
 ⚙️ Baden
 S ⚙️ Birr
 S Vevey
- UK**
 ⚙️ Bristol
 ⚙️ Rugby
 🏠 London

MIDDLE EAST & AFRICA

- Marocco**
 ⚙️ Akhfenir
- Turkey**
 S 🏠 Ankara

ASIA/OCEANIA

- Australia**
 🏠 Sydney
- Bhutan**
 S Gelephu (JV)*
- China**
 🏠 Beijing
 🏠 Shenzhen
 S ⚙️ Tianjin
- India**
 ⚙️ Vadodara
- Indonesia**
 🏠 Jakarta
- Japan**
 🏠 Tokyo
- Malaysia**
 🏠 Kuala Lumpur

🏠 Office/Main Office
 ⚙️ Engineering/Manufacturing
 ⚙️ R&D/Technology centres
 S Service centres
 * Under construction

Source: Alstom

Hydro power

Alstom Hydro has been a major global hydropower solutions and services supplier for over 100 years with more than 25% of the global installed capacity (source: Alstom). Leveraging its experience and global network, Alstom offers unique solutions based on state-of-the-art technology and project-specific research and development (R&D).

Alstom’s technology is central to many record-breaking hydropower plants including the world’s five highest capacity hydro installations in operation: Three Gorges (22.7 GW) in China, Itaipu (14.8 GW) in Brazil, La Grande (13.8 GW) in Canada as well as Guri (12.5 GW) in Venezuela and Tucuruí (8.4 GW) in Brazil.

Recognised know-how in project management

Alstom is recognised for its project management expertise. As an integrator, the Group offers a single point of contact to coordinate and interact with all related parties and can act as consortium leader for electro mechanical and hydro mechanical equipment, taking full responsibility to optimise the plant as an integrated system.

Seeking proximity to customers

Alstom's global footprint spans a network of research and development capabilities along with engineering, manufacturing and project management offices around the world, located in close proximity to its customer base. Alstom has a network of six full-value chain entities, located in its main markets, on three continents. Alstom's Hydro Global Technology Centres (GTC) are located in Grenoble (France – the lead centre), Birr (Switzerland), Sorel-Tracy (Canada), Vadodara (India) as well as in Tianjin (China) and Taubaté (Brazil). In September 2013, Alstom inaugurated its largest hydro production site in Tianjin and plans to officially celebrate the expansion of its facilities and capabilities in Taubaté in 2014. With the support of local service centres, Alstom can adapt to local customers' specific needs and deliver timely efficient hydropower solutions and services all over the world.

A large portfolio of products and services

Hydropower is the most important source of renewable energy in the world, representing over 16% of the global electricity production, yet only one third of the potential and economically feasible global hydropower capacity has so far been equipped. Alstom offers the most comprehensive range of innovative services and equipment for power generation and Alstom's expertise covers all hydropower schemes from water to wire: from designs to services, from small to large, from run-of-river to pumped storage power plants, from individual equipment to complete turnkey solutions, for new projects and for the installed base.

Turbines and generators

Alstom provides a full range of hydro turbines with a wide range of power capacities, including Francis, Kaplan, bulb, propeller, Pelton and pump turbines as well as speed governors to meet all customers' needs and applications.

Alstom's hydro generator range is composed of large, medium and small hydro generators, bulb generators, asynchronous and synchronous motor-generators and excitation systems.

With a market share close to 40% (source Alstom, 2004-2013), Alstom is the leader in pumped storage plants (pump turbines and motor generators) and in 2013/14, won a contract to construct, operate and maintain Israel's first pumped storage plant, Gilboa. Pumped storage plays an important role in today's energy market due to the development of intermittent energy sources, such as wind and solar, which increase the need for storage and power regulation. State-of-the-art variable speed technology provides even more flexibility to pumped storage plants (PSP), as well as 24/7 grid regulation capabilities.

Control systems and balance of plant

Alstom's core competencies in control systems span over all types of hydro power plants to improve power production. In this field of strategic products for power generation applications, Alstom has developed and qualified specific control system solutions as well as dedicated machine control equipment, in order to guarantee safe, optimised power plant operation.

Hydro-mechanical equipment

Alstom designs and manufactures hydro-mechanical equipment for hydro power plants as well as for waterways and irrigation systems.

Service and retrofit

When customers choose Alstom, they are tapping into a huge reservoir of hydropower know-how and experience. The operating fleet, representing over 25% of the world installed base, provides proven models and large amounts of data that are used to establish benchmarks and best practices. For over 100 years, Alstom has built on its expertise in service and retrofit to increase plants' reliability, availability and maintainability throughout their lifecycle.

Alstom supports plant operators, owners and investors to reduce the total cost of ownership thanks to a comprehensive asset management programme. The Hydro PlantLife® portfolio offers the broadest range of customised and off-the-shelf service and retrofit solutions, suitable for fleets, plants and components, covering all technologies, from turbines to balance of plant. Based on state-of-the-art technologies, Alstom solutions respect the latest environmental regulations. Its solutions are compatible with Alstom and other Original Equipment Manufacturer equipment, regardless of the size of hydro power equipment.

Wind Power

Alstom believes in wind as a viable and competitive source of clean power to help meet energy challenges and aims at becoming a recognised player in this field. The acquisition in 2007 of the Spanish wind turbine company Ecotècnia provided the Group with a strong foothold to enter this activity. Today, Alstom is an international expert in wind power throughout the entire cycle.

Alstom provides global wind energy solutions from wind turbine design and supply to wind farm development, construction, and operation and maintenance services. The Group offers onshore and offshore wind turbines ranging from 1.67 MW to 6 MW, providing solutions for all types of geographical locations and wind conditions.

To date, Alstom has installed more than 2,600 wind turbines in over 200 farms worldwide with a total capacity of more than 5,000 MW.

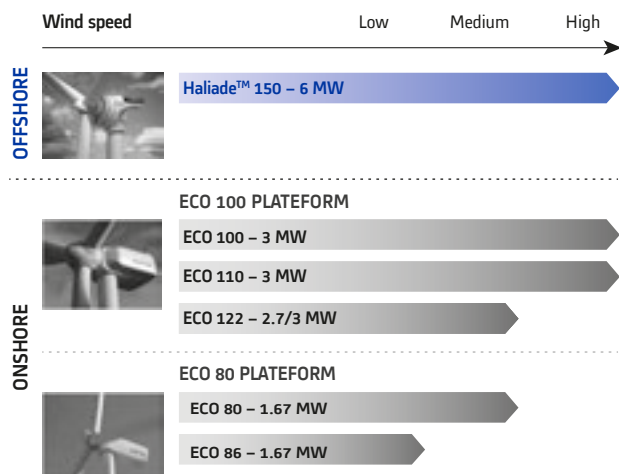
All Alstom wind turbines feature the ALSTOM PURE TORQUE® concept, a unique rotor support concept protecting the drive train components from deflection loads, delivering higher reliability, higher operational availability and lower maintenance costs.

An integrated approach

Alstom offers integrated wind farm solutions, covering site development activities, system or key component design and manufacturing, assembly, installation and services.

A comprehensive portfolio

The Alstom product portfolio offers the appropriate choice of wind turbines to match different wind farm locations and wind speeds.



Source: Alstom

Onshore wind power solutions

The ECO 100 platform is a product solution, offering three rotor diameters with a power output of 2.7 to 3 MW: 100 metres (ECO 100), 110 metres (ECO 110) and 122 metres (ECO 122), allowing high yield and leading efficiency across all wind classes. The ECO 100 platform is an extensively proven platform with over 1,750,000 cumulated operating hours (or the equivalent of 200 cumulative operating years) since 2008 and more than 2,000 MW installed or under construction worldwide (as of 31st Dec 2013).

Alstom's ECO 100 platform allows developers to select the best rotor location for each specific site. The combination of two or even three ECO 100 platform wind turbine models on a wind farm has been named by Alstom as POWEROF3™ concept. This unique offering optimises each project's capacity factor by up to 20%. In addition, having one platform with various models enables Alstom to provide common spare parts, standardised operation and maintenance procedures for the whole site, allowing a lower cost of energy in a wide range of wind projects.

Offshore wind power solutions

With the development of the HALIADE™ 150-6 MW direct-drive offshore wind turbine, Alstom is well positioned to become one of the key players in offshore wind technology. The HALIADE™ 150-6 MW is the first new generation large offshore wind turbine, suitable for all offshore conditions.

In April 2012, the consortium led by EDF Énergies Nouvelles, including DONG Energy, Nass&Wind Offshore, wpd offshore and Alstom was awarded a total of three sites (Saint-Nazaire, Courseulles-sur-Mer and Fécamp). This announcement has allowed Alstom to confirm its

industrial plan, building four new factories: two in Saint-Nazaire (Loire-Atlantique) and two in Cherbourg (Manche) to manufacture the key components of the turbines supplied by the consortium. This represents the first step towards creating a French industry capable of setting the standard in offshore wind power, and bolsters Alstom's growth strategy in wind technology.

The first unit of the HALIADE™ 150-6 MW was installed onshore in March 2012 in France and a second unit was installed offshore in November 2013 at the Belwind farm off the Belgian coast.

Alstom and Dominion are collaborating on a DOE offshore technology demonstration project off the coast of Virginia. In December 2013, Alstom signed its first offshore commercial contract outside of Europe, for the supply of five HALIADE™ 150-6 MW turbines to Deep Water Wind for their 30 MW Block Island project off the coast of the state of Rhode Island.

Services

Alstom's full range of service capabilities can provide everything from spare parts, repair, and on-site field services up to and including long-term operating and maintenance solutions. A modular approach covering manpower and materials for corrective, preventive and predictive maintenance tasks means that customers can select the optimal combination of services to meet their specific needs.

Based on over 30 years of experience in wind turbine maintenance and the latest developments in industrial communications, Alstom's Supervisory Control and Data Acquisition (SCADA) system lies at the heart of its enhanced operation and maintenance strategy. WindAccess™ is a web-based tool, which provides remote access to wind turbine data. By using this product, the performance of an individual wind turbine or the whole wind farm can be studied and optimised in real time.

In 2013 Alstom developed a new wind farm control system, called Alstom Wind e-control™, that provides a fast and accurate method of active and reactive power regulation to comply with the most demanding grid requirements, providing very high flexibility and adaptability in order to contribute to grid stability.

New Energies

Geothermal

With more than 50 years of experience, Alstom has built a total capacity of close to 400 MW to date in geothermal energy.

Alstom can provide tailored plant configurations for both 50 Hz and 60 Hz electricity markets, starting with its smallest plant layout of approximately 15 MW. Alstom offers steam turbine and generators, condensers, hotwell pumps, instrumentation and control systems. In the medium size range of 35-65 MW, Alstom can provide a modular plant based around its well-proven single-flow turbine module. For larger steam fields with proven steam resources, Alstom offers plant sizes in the 65+ MW range based around a double-flow turbine configuration, which offers both excellent performance and economies of scale.

In addition, Alstom offers contracts to cover the day-to-day running and scheduled maintenance of the plant. Overall, Alstom can tailor a package to exactly suit its customer's plant and business strategy.

Solar

Solar thermal, or Concentrated Solar Power (CSP), is becoming a key part of the renewable solutions for power generation.

Alstom has accumulated years of experience in steam turbines as it sold its first steam turbines for solar thermal power plants in the late 1980s. Alstom's state-of-the-art power blocks can be used for the three main technologies of Concentrated Solar Power: parabolic trough, linear Fresnel and tower. Each concentration method, requiring direct radiation from the sun, is capable of producing high temperatures and correspondingly high thermodynamic efficiencies, but they vary in the way in which they track the sun and focus light. Alstom offers both its geared reaction turbine (GRT) 5-65 MW and mid-sized turbine (MT) 50-100+ MW for solar power generation.

Alstom provides a comprehensive range of flexible integrated solutions from complete turnkey CSP plants to individual components for solar power plants based on its in-house boiler, turbine and generator technology and its proven engineering, procurement and construction skills. Alstom has developed the largest central receiver boiler, or Solar Receiver Steam Generator, capable of powering a 250 MW CSP plant.

Alstom has invested in BrightSource Energy Inc., an American solar company. Commercial, technical and industrial partnership agreements have been signed along the three tranches of investment which were subscribed. BrightSource designed and developed the Ivanpah Solar Power Plant generating in California (USA) which has a capacity of 377 MW and has been on-line since the beginning of 2014.

The CSP Tower technology, developed by Alstom in partnership with BrightSource, employs thousands of mirrors to reflect sunlight onto a central receiver atop a tower to heat a transfer fluid (water or molten salts). Alstom believes in the potential of this CSP Tower technology in the appropriate parts of the world (United States, North and South Africa, Middle East) both for producing power and boosting existing or new combined-cycle or steam power plants.

In parallel, Alstom and Soitec (a world leader in generating and manufacturing semiconductor materials of extreme performance for the electronics and energy industries) have signed a cooperative agreement in order to provide Concentrated Photovoltaic (CPV) power plants.

Biomass

As governments and stakeholders continue to drive environmental regulation levels upward, the need for cleaner sources of thermal energy becomes increasingly important. Biomass, the burning of wood and wood wastes, paper and cardboard, agricultural wastes and crops produced for use as bio fuels, is becoming an increasingly popular way for customers to reduce their CO₂ emissions, whether it is a 100% biomass power plant or biomass co-firing plant.

Alstom provides fuel-tailored solutions for biomass plants with industrial turbines and customised generators adapted to the demand of biomass firing. It will leverage the long-date engineering, procurement and construction (EPC) experience built by its Steam Business and expertise of in-house key components, like steam turbine generator (STG), boiler, distributed control system (DCS), Air Quality Control Systems (AQCS) to provide the optimised integrated solution. In 2013, the Group secured a contract for an 18 MW turbine for the Lisahally plant in the United Kingdom. All the plants use the geared reaction turbine (GRT), which is optimised for efficient and flexible power production.

In addition, Alstom specialises in dedicated biomass co-firing systems for large coal power plants. Alstom is also working with clients on 100% biomass conversion on utility class boilers. In 2008, Alstom secured the contract for the Drax Power Station in North Yorkshire (United Kingdom) to provide the main processing works associated with the 1.5 million tonnes per year biomass co-firing facility at the 4,000 MW plant. Drax employs co-fired renewable materials with coal and has set itself the target of producing 10% of its output from co-firing. This will reduce its CO₂ emissions by more than 2 million tonnes each year.

Tidal stream energy

Tidal stream energy technology refers to extracting electrical energy from marine tidal currents. Tidal stream turbines are governed by the same basic principles that apply to traditional wind turbines but take into account the fact that water is about 800 times denser than air. During its lifetime, a tidal turbine would generate electricity with zero greenhouse gas emissions, a modest footprint on the bottom of the ocean and negligible impact on marine life. Another major advantage is the complete predictability of this source of renewable energy.

Since 2013, Alstom is testing a 1 MW tidal turbine in different operational conditions. After its progressive ramp up to full nominal power, the turbine has successfully injected electricity to the grid. The next step will be to install pilot arrays, prior to further full commercial production.

The turbine consists in an 18-metre rotor diameter with three pitchable blades to maximise energy production. Alstom buoyant turbine nacelle enables it to be easily towed to and from the point of operation. This minimises installation and maintenance costs and duration, by avoiding the need for expensive and less available specialist vessels and divers. The unit is fully submerged and rotates to face the incoming tide, managing ebb and flood tides seamlessly.

Industrial steam turbines

Alstom is a global leader in steam turbine technology with over 100 years' experience in manufacturing, delivering, installing and servicing steam turbine-generator sets. It has delivered more than 1,000 industrial steam turbines of below 100 MW, totalling 17 GW in installed capacity worldwide.

With highly efficient components and customisable cycles to maximise overall plant efficiency and flexibility in operation, Alstom industrial steam turbines are built to suit a wide variety of applications such as biomass, waste-to-energy or concentrated solar power, cogeneration for industrial applications or utility and independent power production.

With high reliability and proven technologies, the geared reaction steam turbines feature highly flexible modular concept that comes in a plug-and-play package to reduce installation and commissioning time and costs, providing optimised solutions for efficient steam production.

The advanced mid-sized steam turbines comprise a flexible modular concept, proven technology and high efficiency. Thanks to the flexibility of its design, it is available in reheat and non-reheat configurations with axial and downward exhaust options allowing it to be integrated into any plant configuration. In 2012, Alstom sold a 125 MW turbine to power the Crescent Dunes concentrated solar power plant in the US, which will be operational in 2014.

RESEARCH AND DEVELOPMENT

As far as hydro generation is concerned, Alstom is continuously expanding its R&D network so as to preserve its technological edge in this field. On each site, Alstom's researchers and engineers work in collaboration with partners and local universities with a view to devise effective solutions in terms of cost, performance and environmental footprint. Creating in-house Alstom hydro product designs, Global Technology Centres contribute to breakthroughs in the fields of power regulation, energy storage, variable speed technologies, composite materials, environmental solutions and high efficiency and flexible turbine and generator designs adapted to the evolving requirements of the market. A network of six entities located in Alstom's main markets is in operation today:

- Grenoble (France – lead centre), dedicated to turbines;
- Birr (Switzerland) focused on generators;
- Vadodara (India) dedicated to Pelton turbines and sand erosion solutions;
- Sorel Tracy (Canada) focused on retrofit/modernisation;
- Taubaté (Brazil), specialised in Kaplan turbines;
- Tianjin (China) specialised in medium Francis turbines.

As part of its R&D plan, Renewable Power has also developed its onshore and offshore wind technology, providing best in class very large wind turbines for both environments.

In the field of onshore wind, the ECO 100 platform offers high yield and leading efficiency across all wind classes. Latest evolution of this platform, the ECO 122 was specifically designed to harness medium and low winds thanks to its 122 metres rotor diameter. This new generation of onshore wind turbines also features technological innovations, particularly with regards to tower height and rated power, with a model now commercially available in 3 MW, complementing its version in 2.7 MW. Through those latest changes, the ECO 122 allows wind farms located on less windy sites to offer better yields.

In offshore wind technologies, the HALIADE™ 150 is a new generation of large 6 MW direct drive turbines specially designed to meet the needs of the French, German and UK markets, as a first step. Two prototypes are installed in Europe, pre-series will be installed in the US with series production expected to start in 2015.

The HALIADE™ 150-6 MW turbine incorporates dedicated offshore technology in collaboration with some of the industry's leading component suppliers.

- The ALSTOM PURE TORQUE® technology protects the generator and improves its performance by diverting unwanted stresses from the wind safely to the turbine's tower through the main frame.
- With no mechanical gearbox coupled to the generator, the turbine consists of fewer rotating parts, increasing reliability, maximising turbine availability and reducing maintenance costs. The use of a permanent magnet generator (PMG) leads to better generation efficiencies and even greater overall mechanical reliability. The innovative "Advanced High Density" direct drive PMG is a more compact and lightweight design compared to earlier generation direct drive systems.
- Using 73.5-metre turbine blades jointly developed with LM Wind Power, the 150-metre rotor diameter combined with 6 MW rated power maximises the capture of energy. The turbine generates up to 40% more electricity per kg of material used than today's offshore machines (source: Alstom).

In the domain of solar energy, since its investment in BrightSource Energy in 2010, Alstom has actively pursued several R&D programmes, leveraging its experience in traditional power generation technologies. With BrightSource Energy, Alstom is developing concentrated solar power (CSP) plants based on direct steam and molten salt receiver technology, including thermal storage and integration with conventional thermal plants. Alstom is actively working on enhancing its turbine and turbogenerator offering designed for the specific conditions of solar thermal power plants aligned with the latest advances in the solar receiver steam generator.

Finally, in the field of marine energies, Alstom remains at the forefront of technological innovation. The Group has particularly increased its involvement in tidal technology by acquiring Tidal Generation Ltd (TGL), the former Rolls Royce Plc's tidal business, which complements its fully dedicated team based in Nantes (France). TGL, based in Bristol (UK), has developed a cutting-edge tidal stream turbine with a first 1 MW full scale prototype installed at the European Marine Energy Centre in Scotland since January 2013 for a two year test plan in real environmental conditions as part of the ReDAPT (Reliable Data Acquisition Platform for Tidal) project.

Alstom's full-scale tidal device has now injected more than 130 MWh of electricity into the grid. Detailed environmental information and real life sea performance data will keep being generated in order to further improve tidal power technology and to reach a commercial scale.

Alstom ensures the proper level of cross-fertilisation between the different units of Renewable Power and also with the Group's Thermal Power and Grid Sectors to achieve the full leveraging of its unique technological platforms. Examples of cross-collaboration are numerous such as tidal technology using both hydro and wind competencies, CSP technology leveraging steam turbine existing expertise.

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GRID SECTOR

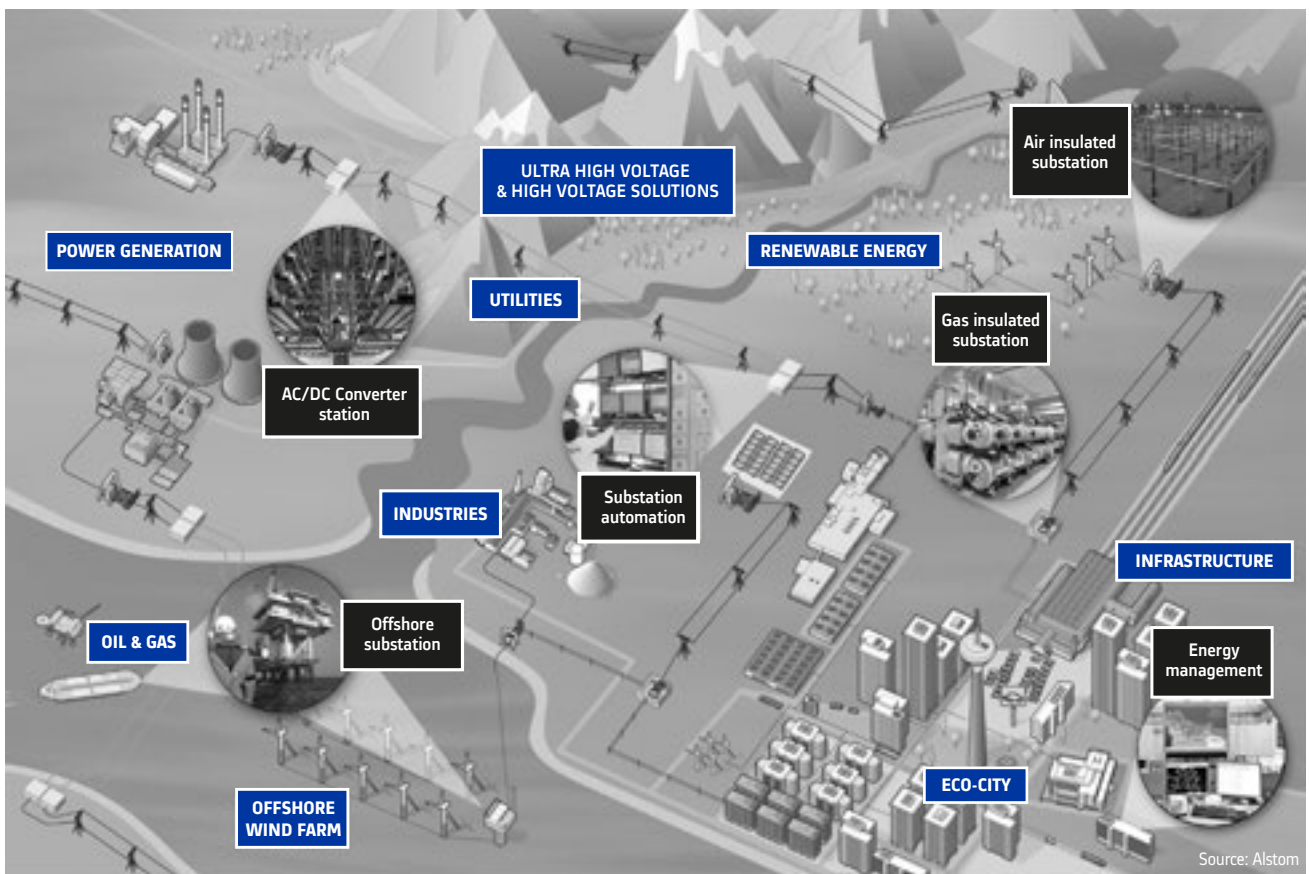
The Grid sector is a worldwide provider of engineered solutions and products for power grids, supporting electrical utilities and industries. It provides products and turnkey solutions for Alternating Current (AC) and Direct Current (DC) substations, including ultra-high voltage (UHV) substations. With more than 130 years of experience, Alstom has played a key role in the development of electrical transmission and distribution grids.

The sector also offers high-quality services to optimise electrical infrastructures, increase return-on-investment and prolong asset life cycles, with solutions for both Alstom and third-party equipment.

Grid's customers range from large electrical utilities and transmission system operators (TSO) to local power authorities and distribution system operators (DSO), as well as a large array of specialised industrial and infrastructure partners. Its power generation customers in particular have greatly diversified with the introduction of renewable energy suppliers such as solar or wind. The Grid Sector also has a wide range of solutions for various segments including oil and gas, mines and metal, rail and infrastructures (such as medical centres and data centres), as well as cities and municipalities.

The Grid sector develops the systems that transform the electrical grid into a smarter grid. The Sector delivers Smart Grid solutions for real-time energy and information networks, improving the reliability and performance of the grid. It also plays a leading role in the development of Supergrids, the high-efficiency power grids that interconnect national networks across regions and continents. These "energy highways" facilitate the integration of new power sources (wind, solar, etc.) to supply clean energy to consumers.

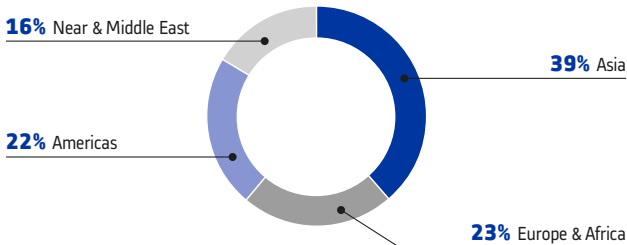
A COMPLETE PORTFOLIO



INDUSTRY CHARACTERISTICS

Market evolution

Market by region (*)



Source: Alstom

(*) Excluding new Smart Grid markets (advanced metering infrastructure, meters and distribution automation).

In Europe, market growth is supported by significant investments in renewable energy (in particular offshore wind farms), the development of Supergrids and the implementation of the Smart Grid concept.

The European transmission infrastructure has evolved, mostly driven by the “20/20/20” commitment (-20% of greenhouse gas emissions; 20% of EU energy to come from renewable generation; 20% improvement in energy efficiency). Major renewable generation projects have been launched, creating the need for new transmission capabilities requiring the integration of power electronics solutions into the existing grid and/or the modernisation of traditional transmission equipment.

Political decisions can influence the energy mix, such as in Germany where the energy mix is now balancing towards greater volumes of renewable sources, driving significant investment needs into the grid. This in turn leads to the development of power highways to transmit offshore wind energy down to the southern part of the country to reach consumers there.

Africa (Morocco, Algeria, East Africa) is making a dynamic contribution to the market thanks to fast-growing economies, urbanisation and the support of international financial institutions and Chinese investors.

The market forecast for China remains stable for the coming years. The main drivers are High Voltage Direct Current (HVDC), Ultra High Voltage Alternating Current (UHVAC) and the modernisation of rural networks. Main local customers in China are deploying special efforts on Smart Grid development.

In India, there has been a specific focus on UHVAC (765 kV) and HVDC as part of the need to reinforce the electrical network. The region has seen a slowdown in the market in 2013/14 but should return to growth in the medium-term future.

The Pacific region has seen negative growth and a lack of large industrial projects but is expected to have more sustainable growth, driven by the development of Southeast Asian countries and HVDC.

The Middle East market has increased significantly in 2013/14 mainly due to Saudi Arabia’s infrastructure, Qatar investments and the rebuilding effort in Iraq. Steady investment is expected in the region.

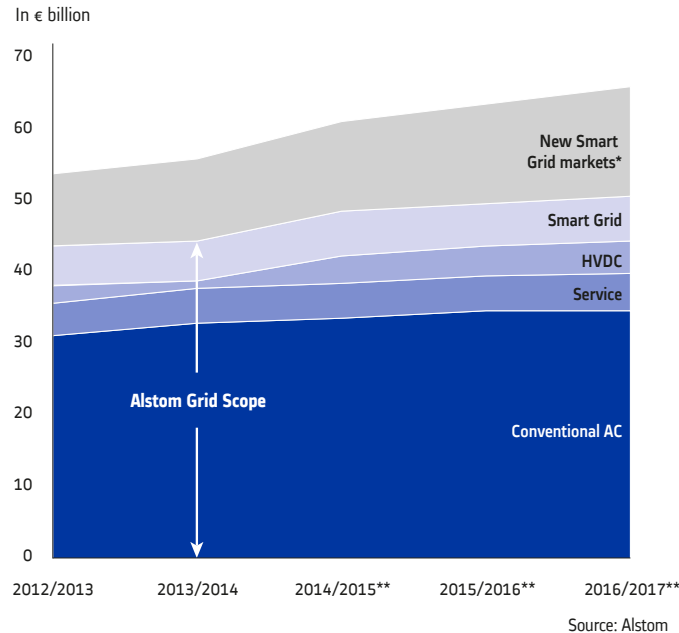
In North America, the traditional grid market is encouraged by the infrastructure renewal programmes that are taking off at a steady pace. Additionally, many renewable generation programmes – such as offshore wind production on the East Coast and connections to the hydro capacity available in Canada – are creating new opportunities for large HVDC projects.

In Latin America, the market is driven by very large infrastructure projects for hydropower, long-distance HVDC interconnections to stabilise the continental network or long-distance HVDC connections between large power sources and remote points of consumption.

A flat AC transmission market is expected in the coming years whilst Service, Smart Grid and HVDC markets should grow at a steady pace.

Market by segment

WORLDWIDE MARKET EVOLUTION



* New Smart Grid markets: advanced metering infrastructure, meters and distribution automation.

** Forecasted data.

Market drivers

Four main drivers for market growth have been identified in the medium term.

The first two drive the general volume increase in the industry:

- economic growth, which brings the need for electrification in emerging countries;
- renewal and upgrading of existing networks in mature countries.

The second two drivers not only support market growth but also fuel significant technological changes, namely:

- integration of low carbon energies, driving the need for efficiency and stability to ultimately build Smart Grids and evolve towards broader, stronger Supergrids. The renewable energy market growth also impacts the digital substation and distribution substation markets;
- more stringent requirements for power supply reliability, security and efficiency.

Each of these factors is expected to contribute to the medium-term and also long-term growth of the transmission grid market.

Global economic growth and electrification in emerging countries

There is a strong link between electricity consumption per capita and Gross Domestic Product (GDP) growth, largely demonstrated in emerging economies such as China, India and Brazil. There are several examples of massive investments in the extension of electrical grids to ever-broader parts of these countries, both to sustain industrial

production and to improve access to electricity for the entire population. For example, in India, one important challenge is to bring electricity to an additional 40% of the population.

Increase in electricity production in a country will directly impact growth of the transmission market and drive the development of ultra-high voltage AC and DC grids (so far up to 1,200 kV AC and 800 kV DC with an 1,100 kV DC prototype launched in China).

Infrastructure renewal and modernisation in mature countries

In many mature economies, the electrical grid infrastructure is coming to the end of its operational lifespan following strong initial investment in the 1970s. It is time to progressively renew this installed base and modernise the grids. Ageing equipment is incompatible with today's environmental and technical requirements; this market constraint requires investments in the grid infrastructures, creating business opportunities for equipment suppliers such as the Grid Sector. There is demand for ever more efficient products, with less impact on the environment; and equally for more digital equipment using open communication protocols.

Integration of low-carbon energies driving the development of Supergrid and Smart Grid

Today, over 40% of power is generated from coal-fired plants and only 4% comes from wind or solar. But by 2035, renewable energy sources are expected to account for more than 30% of all power generation (source: IEA).

Renewable energy sources have less impact on the environment, but their intermittent nature makes integrating their output into the network quite challenging. These energy resources, decentralised and small-scale, are often associated with demand response and energy storage technologies, and make the distribution networks more complex.

Supergrid: evolving towards stronger networks

Since the early 1960s in Europe, there has been a consensus that it was more efficient to “share” electricity supply by linking regions and ultimately country networks. This led to the development of what is called today the “Supergrid” – networks which transcend regional, country and even continental boundaries.

The energy needs of the modern world are higher than ever before: significant power is required for the multitude of electro-intensive consumer electronics, large data centres, electrical cars, etc. Additionally, higher fossil fuel costs and increasing demand for highly reliable power supplies make the Supergrid especially relevant. There are several ambitious collaborative projects at both continental and multi-continental levels currently underway.

Many countries use different types of electrical current across the grid: AC, which is flexible, or DC, which is more efficient. “Meshing” – or combining the two – optimises the benefits of each system, as a meshed grid is a stronger, interconnected network.

Tomorrow, the Supergrid will need to be efficient, easy to maintain, and flexible enough to integrate intermittent renewable energies.

Smart Grid: the information technology era of the grid industry

Since the beginning of the 1990s, environmental policies have led to ambitious development plans for low carbon and renewable electricity sources. New smart technologies ensure the stability of the electrical grid when it receives an intermittent supply of electricity.

An increasing number of power generation companies and electrical utilities worldwide have recognised the value and benefits of Smart Grid systems and are installing digital equipment on their existing infrastructures to interconnect all assets and optimise network control. The new technologies introduced by Smart Grids are creating more efficient ways of operating electricity flows.

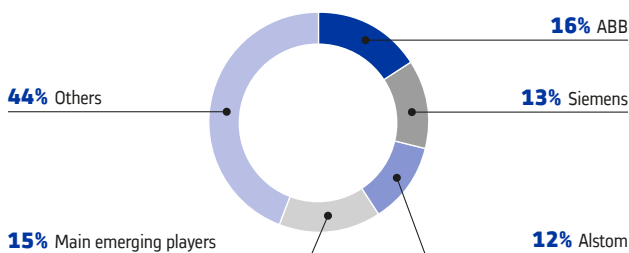
Furthermore, end-user consumption behaviour has changed: today’s consumers devote more and more effort to controlling their own electricity consumption and services. As distributed energy deployment increases, consumers are simultaneously moving towards greater energy autonomy, connecting solar panels and wind turbines to their buildings to produce energy locally. Similarly, the development and commercialisation of electric cars have created a need to introduce entirely new ways to store and use electricity.

More stringent requirements for power supply reliability, security and efficiency

Consumers’ requirements for their energy supply are heterogeneous. Hospitals or air-traffic control rooms need reliability; energy-intensive industries, such as steel-making or aluminium smelting, need high power capacities to function. In all cases, the security of generation – guaranteeing a consistent, seamless energy supply – is critical, because all power outages cause production losses and may result in penalties.

COMPETITIVE POSITION

COMPETITIVE ENVIRONMENT IN THE TRANSMISSION MARKET



Source: Alstom

The Grid Sector, ABB and Siemens are the three leading global players in the transmission market. Emerging players from Asian countries such as Korea, China and India are currently extending their offer and their geographical reach.

The Grid Sector has a number of fundamental advantages compared to its competitors: high-quality products, expertise in engineered solutions, an ambitious innovation policy and a global footprint. When combined, these advantages enable the Sector to provide a solid and highly suitable response to market demands.

STRATEGY

The Grid Sector is continuously expanding its business with electrical utilities (transmission and distribution system operators), power generation companies, industrial customers and eco-cities all over the world, providing turnkey solutions and associated services as well as products.

The Grid Sector will pursue profitable growth through an increased market penetration in the traditional AC transmission segment and through its leadership in the fast-growing segments such as Smart Grid, HVDC and services.

Finally, the Grid Sector will boost its competitiveness through a focus on performance and operational excellence.

Be the Smart Grid reference for customers

More than ever, Alstom views Smart Grid as a crucial business evolution with steady growth and important market potential in the coming decade. The Group has a significant competitive advantage in this domain with an industrial presence across the complete energy value chain, from power generation to transmission down to smart city projects. Alstom offers an integrated approach, based on combinations of products and software solutions, for the deployment of Smart Grid systems across energy transmission and distribution networks. Control room information technologies, smart power electronics and digital substation automation are the Grid Sector's three main areas of development in Smart Grid.

As part of its Smart Grid innovation strategy, the Grid Sector has developed an ecosystem of partners involving technology suppliers, universities, energy system experts and strategic customers. These partners bring complementary expertise and experience to Alstom's Smart Grid strategy in fields as varied as smart buildings, electrical vehicles, IT integration and energy storage.

Through renewable integration, energy efficiency, CO₂ emission reduction and network stability improvements, the Grid Sector helps its customers maximise energy flows, prevent outages and reduce environmental impacts. The Grid Sector supports its customers in the progressive deployment of Smart Grid systems on existing infrastructures, with a special emphasis on the North American and European markets. Wide-area stability plans, digital substations, online asset management and condition monitoring and micro-grids for eco-districts are progressively being implemented by electrical utilities at transmission and distribution levels. Sustained innovation, successful commercial projects (NiceGrid, IssyGrid...) and the recent acquisition of Reason Tecnologia S.A. (specialised in high-accuracy measurement and substation automation networking products) all contribute to reinforcing the Grid Sector's expertise and leadership position on this market.

Be a leader in Supergrid

The Supergrid of the XXIst century is driven by complex and pressing challenges: variable renewable energy generation, increased stability and efficiency and an effort to reduce the cost of energy. The Supergrid needs to harvest intermittent renewable energy and connect it to the grid, whether the sources be located onshore or offshore. Energy highways will then move more energy over longer distances. It will improve and stabilise the interconnection of large regional grids, thus optimising available resources.

The Grid Sector has already many Supergrid projects currently in execution, such as:

- a major 800 kV HVDC connection in India;
- the longest HVDC transmission line in the world connecting very large hydro generation sources in Brazil to major consumption centres on the coast;
- the development of DC interconnections in Sweden based on the latest Voltage Source Converter (VSC) technology;
- a major HVDC VSC offshore wind contract in the German North Sea.

2013 was a year of firsts, contributing to positioning the Grid Sector as a leader in the Supergrid: Alstom's first offshore HVDC contract, its first production of HVDC MaxSine™ valves, the first HVDC circuit breaker trialled with RTE and the first successfully tested 800 kV bushings for HVDC converters.

Develop business with power generation and industries

Major customers for grid suppliers also include power generation companies and electro-intensive industries. The Grid Sector has signed cooperation agreements with major companies in oil and gas as well as mining and metals industries. The Company will expand and develop its presence and global offering based on its products and competencies in these fields. The Grid Sector will also continue to develop strategic partnerships with selected engineering, procurement and construction suppliers.

Deliver customer-valued services

Service solutions are a highly differentiating factor for customers around the world. The Grid Sector's asset management experts provide innovative, reliable, high-quality service solutions to support customers throughout their assets' life cycle. The Grid Sector's services cover supply of spare parts, maintenance, repair, renovation, modernisation, extension and retrofit of equipment to increase the life expectancy, reliability and performance of its customers' assets. The Grid Sector has global engineering expertise in managing obsolescence and also offers support for third-party equipment.

The Grid Sector delivers responsive and consistent services worldwide. It also develops remote services to increase asset performance, predictive services based on on-line condition monitoring technology and cost-efficient green services like SF₆⁽¹⁾ management. The Grid Sector brings added-value services, such as long term operations and maintenance on all equipment including third party equipment, network consultancy, asset fleet management, renovation and modernisation of full substations. Customised training and competence management are offered to customers for any application including power utilities, infrastructures, electro-intensive and oil and gas industries. Significant growth potential is offered by asset management, HVDC and offshore wind farm operations, and maintenance segments in particular.

The mid-2013 acquisition of Engeman – a field services expert – in Brazil will allow the Grid Sector to broaden its expertise and local presence in Latin America, and contribute to the rapid success of the Grid Sector service business in this region.

Reinforce operational excellence

Operational excellence remains the springboard to the Grid Sector's success. The Grid Sector actively contributes to the "Dedicated to Excellence" (d2e) programme launched by the Group in 2013/14 to improve its operational performance. Cost control is of paramount importance, with a specific focus on sourcing, manufacturing efficiency and product cost improvements. Ensuring the quality and reliability of products, solutions and processes is also vital. Stringent standards have been put in place to optimise processes all along the value chain: from research & development to manufacturing, delivery and project execution with a special focus on excellence in large projects. The Grid Sector will continue to align its business footprint with its geographical markets, optimizing its delivery model with an increased competitiveness.

The Grid Sector also implements strict procedures to ensure the health and safety of all employees, agency workers, contractors and site visitors with zero tolerance for deviations.

Contribute to a sustainable world

The Grid Sector supports the Group's Corporate Social Responsibility policy via the development of eco-designed products and clean solutions, aimed at reducing the environmental impact of products and equipment. The Sector provides its customers with sustainable and environmentally-friendly solutions.

The Grid Sector strives to maximize its environmental and societal benefits by working in partnership with its stakeholders and installing eco-friendly grids while committing on responsible and sustainable behaviour in its operations such as reducing the environmental footprint of our operations and sites.

With its technology and solutions, Alstom helps all its customers limit their environmental impact by supporting the expansion of renewable energy generation (*i.e.* enabling the use of clean intermittent energy sources through flexible management software control balancing demand and production) and by improving energy efficiency with its new and existing products (*i.e.* software control to offer higher grid resiliency to prevent peak load, power losses and blackouts along the lines, reducing the need to build new generation plants and grid infrastructures).

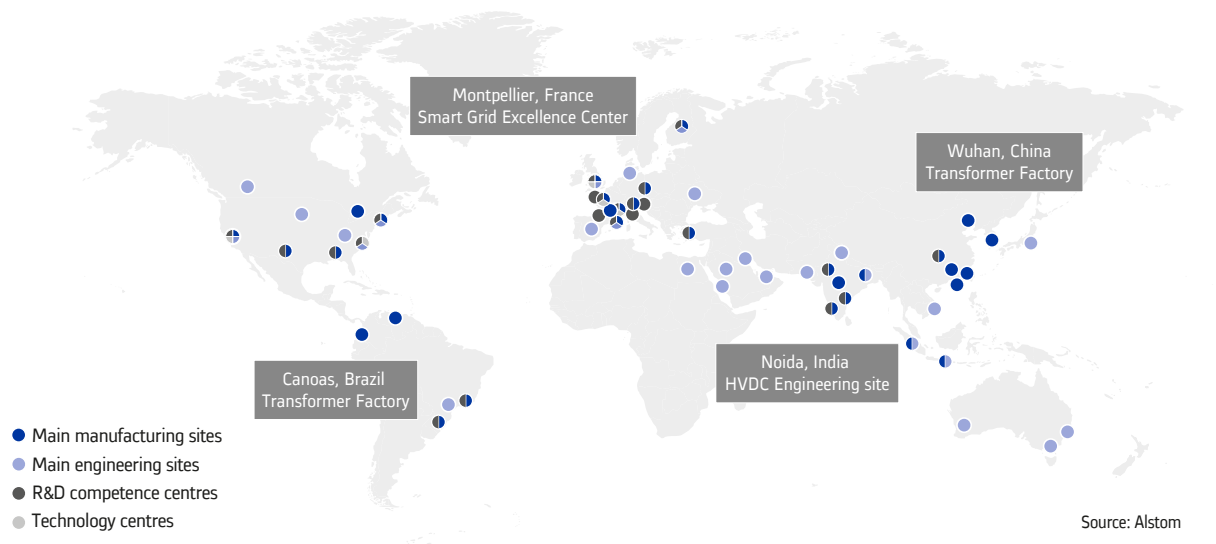
To learn more about the Grid Sector's contribution to sustainable development, please refer to Chapter 6 of this document.

(1) Sulphur Hexafluoride (SF₆) is used as an insulator in electrical equipment because it has an excellent dielectric strength.

OFFERING

The Grid Sector is active on all continents, with close to 90 manufacturing or engineering sites worldwide. This international manufacturing base, located close to customers, enables global competitiveness and solutions adapted to the customers' specific requirements and needs.

MANUFACTURING AND ENGINEERING SITES WORLDWIDE



With over 50 local service centres and 20 technical institutes in over 30 countries, the Grid Sector continues to expand its services activities in USA, Brazil, Central Europe, Africa, India and China.

High voltage substations and products

Turnkey systems

The Grid Sector provides complete turnkey engineered solutions for high voltage (HV) substations for utilities, power generation companies and industries in both alternating and direct current, bringing together the right mix of high-voltage products through expert engineering and full project management. With bases of operation in 35 countries across the world and over 2,000 engineers, the Company's expertise and project management talents are strategically positioned where the customers need them the most.

All turnkey projects are designed to the customer's exact specifications:

- turnkey systems and solutions for HVAC substations;
- power electronic systems such as High Voltage Direct Current (HVDC) transmission schemes, Flexible AC Transmission Systems (FACTS) and static power supplies (for electrochemical industries and railways);
- turnkey HV/MV solutions including protection and control equipment, telecom and services for any specific distribution network for utilities, industries, rail and any infrastructure electrical systems;

- electrical balance-of-plants for grid connection;
- onshore and offshore wind farm grid connections;
- power supply and SCADA (Supervisory Control and Data Acquisition) solutions for the oil & gas and for mining & metal industries.

Some of the turnkey systems booked in 2013/14 include:

- three contracts (each including 3x132 kV GIS substations) for SEC in Saudi Arabia;
- Laâyoune II 400/220 kV GIS substation for ONE in Morocco;
- 400/225 kV AIS substations for Agadir II and Tantan II in Morocco;
- two contracts with HPPTCL for 400/220/66 kV GIS substations in India;
- the rehabilitation of power transmission interconnections 220 kV in Tajikistan;
- the Static Var Compensator (SVC) for Quwayyah for SEC in Saudi Arabia;
- the Saudi National Control Centre EMS MMS for SEC in Riyadh (Saudi Arabia).

For these projects, the Grid Sector provides strong guarantees to its customers through optimised sourcing, risk mitigation, guaranteed long-term presence and support, extensive experience and strong engineering skills.

Air-insulated switchgear (AIS)

Air-insulated Switchgear (AIS) is a collective term covering the complete, compact and environmentally-friendly portfolio of high voltage primary equipment for air-insulated substations, including some of the main elements that make up an outdoor electrical substation. AIS includes circuit breakers, instrument transformers and disconnectors that use air-insulation technology. It also includes solutions for controlling, metering and monitoring installations and special generator circuit breakers for power generation. These elements connect the various parts of a substation, protect the equipment and people, and measure the energy flowing through them.

With an installed base of more than 170,000 products in service worldwide, the Grid Sector is recognised as leader in the air-insulated switchgear market for conventional and new solutions such as digital installation and compact modules.

With its ever-expanding and innovative product portfolio (from 72.5 up to 1,200 kV), the Grid Sector provides state-of-the-art high-voltage products and services to its customers worldwide, in order to secure the transmission of energy from the power station to the consumer, with both high safety and operational excellence.

Gas-insulated Substations and Gas-insulated Lines (GIS & GIL)

A gas-insulated substation is a complete and compact substation including circuit breakers, instrument transformers and disconnectors. Gas-insulated substations and gas-insulated lines (GIS & GIL) are similar equipment to air-insulated substations, but the active parts are encapsulated in enclosures filled with SF₆ gas. The Grid Sector has made a number of technical advances in the field of gas-insulated switchgear. Over the last forty years, the size of a GIS has decreased fivefold, dramatically reducing the volume of SF₆ gas used and therefore reducing the environmental footprint. The reduction in size means that the GIS are now small enough to be installed in underground urban substations or for offshore wind farm connections.

The Grid Sector has 20,000 GIS bays in over 2,500 substations up to 800 kV and over 150 km of single-phase gas-insulated lines in service in 99 countries. Thanks to four decades of operational experience with high voltage GIS, the Grid Sector has maintained a prominent position in the market, meeting the most demanding operational criteria.

Power transformers

Power transformers connect electrical networks or systems of different voltages to allow power exchange between them.

The Grid Sector has dedicated production facilities for power transformers and bushings in Europe, Asia as well as North and South America, with production capacity for small, medium and large power transformers. As a key player and pioneer in transformer technology, the Grid Sector designs and manufactures all types of power transformers and reactors for power generation, power transmission, electro-intensive industries and rail applications. It also provides bushings with various technologies: RIP, OIP, Hybrid, SF₆ and ERBP up to 1100 kV AC and 800 kV DC and for all applications.

This year saw the delivery and execution of some major HVDC projects particularly in Europe and in Asia as well as noteworthy technological progress with the execution of a first contract for 800 kV DC power transformers in India, the commercialisation of 800 kV DC wall bushings in China, and the manufacturing and successful testing of a 800 kV DC converter bushing. The new 800 kV DC converter transformer incorporates innovative solution for the UHVDC inter-winding connection thus enabling design optimisation and easier transportation.

In other domains, the Grid Sector has designed and manufactured one of the largest 3-phase regulated shunt reactors in the world, rated 420 kV, 250 MVA, as well as one of the world's largest generator step-up transformers (710 MVA). The Grid Sector has also delivered electric arc furnace transformers with highest current rating in the world, reaching 155 kA.

The Grid Sector continues to invest in the Resin Impregnated Paper (RIP) technology and has successfully performed an important short circuit current test (63 kA) on a 420 kV RIP bushing in order to prove the withstand capability of the product and consequently ensure the personnel and substation equipment safety.

Digital substation solutions

The digital substation is a new generation of electrical substations (AIS or GIS) integrating new layers of optical primary equipment and substation automation technology. The Grid Sector's full digital substation solution unlocks the great potential of this new technology: interoperability through IEC 61850-9-2LE process-bus compliance, ease of configuration, maximised reliability and availability, real-time performance and reduced cost of ownership.

The path towards the full digital substation solution is a key business evolution in the decade to come, and is expected to generate significant business potential. Alstom's digital substation solutions bring key benefits to its customers, such as:

- improved communication through new applications such as wide area inter-substation control, integrated condition monitoring and asset management;
- increased personnel and substation safety;
- enhanced cyber-security;
- optimised footprint in switchyards and substation automation components.

Offering a complete range of hardware and software components, the Grid Sector's digital substation is being deployed in control and protection applications such as in Denmark's utility operator Energinet's transmission system. Alstom and RTE in France signed a digital substation demonstrator project in June 2013 to further develop and deploy the technology in a Smart Substation project, paving the way for commercial installations together in the coming years.

Smart solutions

Smart Grid systems, control room solutions and grid automation solutions for transmission and distribution grids

The Grid Sector commercialises integrated Smart Grid systems – packaged solutions integrating digital equipment and software from Grid’s various product lines – combining them into customised systems for transmission and distribution utilities. Alstom’s Smart Grid solutions are based on two main technologies: the world-leading network management solutions and substation automation solutions.

Already deployed with some of the Grid Sector’s largest power utility customers (PJM Interconnection, Energinet.dk, Eskom, RTE...), these systems enhance the operational performance of existing grid infrastructures by adding a digital information technology layer to the power networks.

This allows operators to integrate – in real-time – digital data on electrical power flows (quality, measurements and oscillations) in all grid sections, substations and equipment. Furthermore, large quantities of intermittent renewable energy sources (wind and solar farms) can be integrated into their energy portfolio, balancing traditional power generation with additional renewable power.

The two-way, real-time interconnections between grid operators at the control-room level and digital equipment in substations mean that the Grid Sector customers can instantly optimise energy dispatch on their network, through digital control systems and protection relays at substation level. This information is managed through the utility’s control room.

- *renewable management*: a “renewable” control room allows Energinet.dk in Denmark to integrate over 30% of renewable power sources (more than 5,000 wind farms) into its grid, analysing the wind forecast and balancing the thermal power load with the additional wind power each day.
- *online stability management*: this system combines Phasor Measurement Units (PMUs), when deployed across a transmission grid and combined with online stability software, allows customers such as Manitoba Hydro (Canada) and Pacific Gas & Electric (USA), and PGICL (India) as part of the largest wide area monitoring management project in the world, to instantly detect abnormal power oscillations on their power lines, in enough time to take action and reduce blackout risks.
- *integrated Distribution Management System (iDMS)*: this system – operational at multiple utilities around the world – allows them to manage their distribution grid in real-time. For utilities such as Duke Energy (USA) and Stedin (Netherlands), Alstom’s iDMS is the foundation of their grid modernisation efforts. At Duke, this includes integrating “Distributed Energy Resources” such as small-scale renewable sources.

- *demand Response Management System (DRMS)*: this solution opens a true communication bridge between consumers and utilities. For a transmission company like PJM Interconnection (USA), Alstom’s DRMS helps manage peaks in the overall electricity consumption, working with residential or commercial customers to help them adjust their individual electricity use at specific times.
- *installation of digital substations (AIS/GIS)*: digital substation systems transform traditional power substations by installing optical sensors and Intelligent Electronic Devices (IEDs) to enhance grid reliability, security and performance through real-time monitoring, automation and interoperability. These new generation power substations are already in use by FSK (Russia) and under implementation for RTE (France).
- *supply of energy storage modules*: a battery storage solution in a compact container that includes a power converter and real-time control software to efficiently operate the battery. Such a solution can be scaled up or down and combined with large-scale or distributed renewable energy sources to fully enjoy the benefits of intermittent renewable energy. The solution has been implemented with ERDF on the NiceGrid project in France.

The Grid Sector’s Smart Grid solutions are based on two main technologies: the world-leading network management solutions and substation automation solutions.

Network management solutions

Network management solutions are software solutions and platforms for grid control rooms, in charge of piloting and controlling the power grid. The Grid Sector’s network management solutions product line is the world leader in energy management and energy market systems. The key technology, known as **e-terra™** global energy solutions, is used by utilities in their control centres to manage the generation, transmission, distribution and trading of electric energy.

Alstom designs, develops, delivers and supports software solutions for transmission and distribution electrical utilities, market systems operators and energy market participants. These solutions are delivered either as a software package, as an integrated information technology system or as a full-turnkey project, depending on the customer needs.

These systems are the “brains” behind a utility’s grid and ultimately keep the lights on for its customers. **E-terra™** software and products manage some of the world’s largest transmission grids and this technology is installed at 12 out of the 16 world’s largest power grid operators, representing more than 70% of the world’s electricity demand.

The Grid Sector also develops software solutions for maintaining, monitoring and controlling liquid and gas products (crude oil, natural gas, multiphase fluid and refined products) and pipeline systems. Some of North America’s most recognised pipeline companies control their infrastructures with Alstom’s highly reliable platform and suite of applications, all developed based on decades of experience in the electricity control room environment.

Complementing its software solutions, the Grid Sector's network management solutions also offer a consulting and integration activity. Alstom's subsidiary UISOL (Utility Integration Solutions) is the integration specialist of the utility industry, and a trusted advisor to utilities for grid modernisation. UISOL helps utilities improve their operations by end-to-end integration of computer systems and optimising business processes.

In addition to its software solutions, the Grid Sector also offers a full suite of telecom solutions for utilities, integrating high bandwidth services into the telecom backbone and offering a high level of performance and reliability in a competitively-priced package that ensures low cost of ownership.

Substation automation solutions

Substation automation solutions are automated devices and software solutions that protect, control and monitor electrical substations for utilities and electro-intensive industries. The Grid Sector provides the full substation automation range, offering IEC 61850 compliance including process bus 9-2, ready for digital substations.

The **Alstom MiCOM** IEDs (Intelligent Electric Device) range of IEC 61850-compliant protection relays and measurement devices are able to monitor, control and protect all the equipment in a substation as well as feed important information back to the control room. The **MiCOM Agile** range of IEDs provides an integrated feeder management, one-box and self-powered protection solution – based on transmission technology – for distribution network protection, control and monitoring of electrical power systems.

DS Agile is the Grid Sector's Digital Control System (DCS) for AC and DC electrical utility substations and industrial installations. This interoperable and IEC61850-compliant solution provides features such as wide-area inter-substation automation, integrated condition monitoring for online substation situation awareness, enhanced cybersecurity and full integration with control room network management and Smart Grid applications.

The Grid Sector acquired ASAT Solutions Inc. in December 2012, a Canadian based substation automation solutions provider, integrating into its portfolio the Digital Automation Platform (DAP) substation servers range for compact substation data management.

The Grid Sector also acquired Reason Tecnologia S.A in January 2014, a Brazilian provider of measurement and substation automation network products for transmission and distribution. The **Reason** range reinforces Alstom's full digital substation offer.

In 2013/14, the Grid Sector opened its Smart Grid Excellence Centre in Montpellier (France), which will allow the Sector to strengthen its digital substation offer worldwide and to leap up along the innovation path towards building a full digital substation solution. The Grid Sector also invested in the extension of its world-class MiCOM relays and panels manufacturing facility in Pallavaram (India), to support growth in India and develop export markets.

The Supergrid, HVDC and power electronics

Power electronics solutions are high-performance applications that manage the active and reactive power flow in a network. They are most commonly used for the conversion of AC to DC and vice-versa, but they are also used to improve power quality and control when integrated into a traditional AC transmission network.

High Voltage Direct Current (HVDC) solutions up to 800 kV

The electricity industry has, on several continents, begun the development of what are now referred to as "Supergrids", *i.e.* large, wide-area electricity grids. The advantage of Supergrids is to combine AC and DC networks as one very vast meshed grid giving all connected networks more stability, strength and reliability by sharing power. The Grid Sector has identified High Voltage Direct Current (HVDC) as a strategic priority in the development of these very large networks, and has focused on developing both existing technologies in this field: Line Commutated Converters (LCC), the traditional HVDC technology that connects asynchronous networks but also has the capability to develop high power energy highways; and Voltage Source Converters (VSC), the newest HVDC technology which is more compact, uses less expensive cables and is ideally suited for offshore platform use (such as oil and gas and wind farm substations).

The Grid Sector continues to develop HVDC LCC, moving towards higher voltages up to 1,100 kV (including HVDC valves, converter transformers and bushings). Its HVDC Centre of Excellence in Stafford (United Kingdom), which celebrated in 2012 its 50-year anniversary of expertise in this field, remains one of the world's most advanced sites for designing and producing HVDC and UHVDC equipment. In August 2012, the Grid Sector signed a contract with Power Grid Corporation of India (PGCIL) to install a new 3,000 MW HVDC "energy highway" between Kurukshetra and Champa in India, setting a new reference for 800 kV HVDC. This project adds to the earlier one in Brazil with the IE Madeira consortium, to install a new HVDC link to transfer 3,250 MW from the Amazon region to the San Paulo region. Some 2,375 kilometres long, this will become the world's longest HVDC transmission scheme.

The Grid Sector's Voltage Source Converter (VSC), the HVDC MaxSine™, was launched in 2010. This technology is ideally suited for the connection of offshore wind farms to the grid and multi-terminal applications. This technology is being deployed for the South-West Link project in Sweden, a point-to-point HVDC interconnection between two regions. This same technology will be used for the DoWin3 offshore wind farm for Germany's TenneT Offshore GmbH. The scope of this project is the delivery of a 320 kV, 900 MW offshore-to-onshore connection to the German network, to be completed in 2017.

Flexible Alternating Current Transmission Systems (FACTS)

FACTS are the power electronics-based solutions that help to meet grid efficiency challenges by enhancing control over existing AC power lines and increasing their transmission capacity. They also help to improve power quality by increasing production efficiency for electrical intensive industries.

This technology, of which the Grid Sector is one of the world specialists, dramatically improves stability and reliability of existing and future transmission systems and realises a very quick return of investment for the customer.

Fixed Series Capacitors (FSC) and Static VAR Compensators (SVC) are two key solutions for the Grid Sector as they actively improve the stability, reliability and performances of the existing and future transmission systems by providing fast voltage control, reactive power control and power oscillation damping either in steady state operation or during transient fault in the transmission system. Among Alstom's various FACTS solutions, the SVC MaxSine™ is a compact D-STATCOM system which provides very fast voltage and reactive power control that ensures grid code compliance for onshore wind farms, or, when placed in an industrial production power supply, stabilises voltage, mitigates flicker and improves power factor thus reducing disturbances in the AC power supply.

Special power supplies

Electro-intensive industries such as electrolysis plants (aluminium, zinc, copper, chlorine, etc.) rely on the DC substation expertise of the Grid Sector. The Company's rectifier-based power solutions for aluminium electrolysis processes position it as a world leader, and the record ability of the Grid Sector's DC substations to deliver up to 600 kA reinforces this position. Trusted by the world's largest metal producers, its solid experience in coordinating multi-national projects means that its high quality systems keep production facilities running.

Another growing area of importance in modern grid structures is battery energy storage solutions. There are currently three types of large battery solutions with ratings up to 1.25 MW per power block. Alstom's Special Power Supplies team has developed a turnkey connection package that connects batteries to renewable energy sources such as wind and solar farms, and then to the grid to solve congestion issues.

The Grid Sector **MaxSine™ eStorage** is a fully integrated offering including a dedicated energy management system, a real-time software that optimises the energy storage asset guaranteeing lifetime, efficiency and availability of the power plant, and a reversible power electronics equipment that connects with major battery technologies.

Services

The Grid Sector offers environmentally-friendly and high quality services to optimise electrical infrastructures, improve equipment's return-on-investment and prolong asset lifecycle. Customers benefit from the Group's global transmission expertise with local field specialists providing customised services:

- from network design to asset maintenance and evolution;
- from transactional services to long-term partnerships;

- from emergency support to predictive maintenance;
- from technical training to customised competence management programmes.

The Grid Sector's services cover the needs of all customers: transmission and distribution utilities, power generation, electro-intensive industries, and railways, as well as offshore wind farms and oil and gas platforms. The Grid Sector provides lifetime support on high voltage equipment (air-insulated and gas-insulated switchgears, power transformers, power electronics) whether initially delivered by the Grid Sector or not, or on entire networks from annual inspections to minor and major maintenance. This includes substation condition assessment and condition monitoring to support decision-making processes and solutions for the renovation, modernisation and extension of any equipment requiring improved performance or having obsolescence issues. In 2013/14, the Grid Sector further developed its service offering with the inauguration of a power transformer mobile workshop and test unit in Dubai, to answer customer needs for on-site field repairs up to 400 kV and 500 MVA.

In addition, the Grid Sector's highly qualified network consulting experts offer tailored technical solution and expertise to plan, analyse, optimise and manage electrical infrastructure *via* network planning, performances analysis, as well as power system and equipment incident analysis.

The Grid Sector's Technical Institute offers a comprehensive range of training courses in electrical grid safety, operations, maintenance, protection, control and management. This high value-added selection of training courses encompasses all aspects of electricity, with an offer ranging from fundamentals to competence management. To better serve regional customers, the Grid Sector has opened new training centres in Spain, Mexico, Russia and Germany.

Asset management and condition monitoring solutions

Alstom combines its wide set of competences and solutions to provide a holistic approach to the overall management of electrical assets. From real time monitoring of equipment up to integration into the information architecture and business processes, the objectives are to maximize asset value and grid reliability. Taking into account the physical condition of the assets, various financial constraints, and the criticality of each piece of equipment, the Grid Sector now offers the overall business solution to optimize maintenance and asset replacement strategies.

The Grid Sector provides solutions to transmission, generation or distribution assets owners with the adequate models and tools to meet customers' objectives:

- reliability: reduction of outages, assessment and mitigation of operational risks;
- financial: maximise asset life while optimising maintenance and risk-hedging costs, with a particular care for ageing infrastructures;
- strategic: collect the information to establish the corporate asset investment plans and performance objectives with the regulator or shareholders;
- organisational: consolidate and capitalise the electrical know-how in a context of an ageing work force.

From field inspections to enterprise integration, the Grid Sector's solutions rely on 130 years of worldwide experience in manufacturing electrical equipment, delivering automation devices and on-line condition monitoring tools, integrating mission-critical IT systems, and servicing assets fleets all over the world for various types of electrical companies. The integrated asset management solution is implemented in a well-defined process, taking advantage of existing systems:

- collect asset-relevant data from all available sources on-site, on-line, or from other existing repositories;
- build powerful and flexible analytics, such as an Asset Health Index, to evaluate asset condition and support the various decision factors;
- monitor information and take actions;
- integrate in the Company's business processes, for maintenance and strategic asset management planning.

RESEARCH AND DEVELOPMENT

Innovation is a cornerstone of the Grid Sector's strategy. Sustained investment in research and development is essential for keeping its product portfolio competitive and for differentiating from competitors.

The Grid Sector's technology centres and their teams of technical experts are involved in long- and medium-term technology research programmes to prepare for the future needs of electrical networks. Other product development activities take place in specialised excellence and competence centres located worldwide. Collaborative relationships are maintained with approximately 40 leading universities and research laboratories in Europe, Asia and North America.

In 2013/14, a R&D efficiency improvement programme was deployed, during which processes were reviewed to ensure that product time-to-market objectives are respected whilst meeting targeted cost and performance.

HVDC circuit breaker prototype

The Grid Sector achieved the best performance ever seen in a High Voltage Direct Current (HVDC) circuit breaker while testing a prototype at Alstom's testing facility in Villeurbanne, France. In less than 2.5 milliseconds, the HVDC circuit breaker interrupted currents exceeding 3,000 A. These tests were conducted as part of RTE's demonstration activities on the architecture and technologies for DC power grids, within the large-scale demonstration project TWENTIES supported by the European Commission's FP7 programme. In the context of the energy transition, these tests contribute to the development and implementation of new technologies that facilitate the integration of renewable energy sources into the European electrical grid.

The Grid Sector has successfully completed complementary tests in presence of independent experts, reproducing the conditions of actual operational constraints for a high-voltage DC transmission

grid demonstrating the device's successful operation. The current that was interrupted during the tests had reached over 5,200 amps, with switching voltage peaking at more than 160 kV.

Innovation in high voltage switchgear

Extensive R&D has led to developments in several product ranges throughout 2013/14, including:

- development of new circuit breakers solutions for high voltage substations: launch of the VL109 Vacuum circuit breaker in operation on 72 kV in France and New Zealand; development of the FKGA7 generator circuit breakers rated at 210 kA breaking capacity and 30,000 A permanent current; combined live tank disconnector-circuit breaker for 420 kV; circuit breaker monitoring system with IEC 61850 communication; different types of HVDC load switch & discharge earthing switch for up to 800 kV DC;
- extension of the HYPact range for air-insulated substations with a 170 kV model and a model for railway application (16.7 Hz);
- on-going development of dead tank solutions for air-insulated substations: 145 kV dead tank circuit breaker with a 63 kA breaking capacity; 245 kV dead tank circuit breaker with a 63 kA and a 80 kA breaking capacity;
- on-going development of new gas-insulated substation solutions: new 145 kV gas-insulated substation; new compact 245 kV and 420 kV gas-insulated substation;
- on-going development for a new 550 kV gas-insulated substation with single-chamber circuit-breaker, both rated 63 kA; new 800 kV gas-insulated substation for the Indian market.

Ultra-high voltage alternating current and direct current solutions

The recent years have seen a new trend in the transmission market to drastically increase voltage levels: 1,100 kV Alternating Current (AC) and Direct current (DC) in China and 1,200 kV Alternating Current in India.

As a leader in UHV technology, the Grid Sector has developed products to cover specific needs of this new growing market. After a complete development programme for 800 kV HVDC systems, the Grid Sector is also developing the bushing solutions needed to accompany the transformers and the wall bushing.

The main highlights are:

- the development and qualification of an 800 kV HVDC voltage transformer;
- the full validation of an 800 kV HVDC transformer wall bushing, including the artificial pollution tests;
- the development of a 1,100 kV HVDC transformer bushing and wall bushing;
- the development of a 400 kV HVDC dry type transformer bushing (RIP technology);
- the development of a 1,200 kV double knee type disconnecter;
- the development of a 1,200 kV optical current transformer.

Digital substations

In the last few years, Alstom's engineers designed the strategic components which allow the Grid Sector to offer digital substations fully compatible with the new IEC 61850 standard:

- launch of the new digital substation control system DS Agile;
- digital interface implementation compliant with the IEC 61850-9-2 process bus for the MiCOM range of protection relays and C264 bay controllers;
- merging units placed between the Compact Optical Sensor Intelligent (COSI) digital instrument transformers and the relays, and alternatively to digitise the output of conventional instrument transformers;
- the target for the coming years is to complete the digital application up to fibre-optic control of the switchgear directly in the yard, to deepen the application of primary equipment condition monitoring, and to advance the leadership position in terms of control, visualisation of asset health, and wide area applications.

The overall performance of the system has been tested on the digital test bench installed in the Grid Sector Technology Centre in Villeurbanne (France). Both pilot and industrial scale projects have been launched, including the pilot *Poste Intelligent* (France). This Digital Substation project with France's RTE tests in real conditions new digital control systems and primary equipment, including condition monitoring, new Human Machine Interface in the substation, and enhanced coordination between the High Voltage and Medium Voltage grids. It is designed to provide a reference model for future smart substations, enabling better monitoring, operation and maintenance in smart grid infrastructures.

Eco-design for environmentally-friendly solutions

The Grid Sector has an eco-design policy to develop environmentally-friendly solutions offering significant environmental benefits, including a better product performance across all phases of the product lifecycle.

Eco-design uses the Life Cycle Assessment (LCA) approach: the evaluation of the environmental impacts of a given product or service at every stage of the cycle from manufacturing through product operation to end-of-life. The Grid Sector's R&D teams use LCA methodology to measure and improve the environmental impacts at the products and substations levels.

For instance, the Grid Sector recently evaluated its HVDC MaxSine™ technology based on a 300 kV DC voltage source converter. The LCA was performed on ten of the major substation's products. It estimates the impacts of all the phases of the product's life – and by extension the substation's – (such as materials extraction, manufacturing, use phase, packaging and transportation) on eighteen indicators. The analysis is based on a multi-criteria approach and focuses on hazardous substances content and recycling or scrapping at the end of life. As a result of this analysis, product environmental profiles as well as end-of-life leaflets incorporating all environmental information about HVDC substations are now available to customers.

Smart Grid

Alstom develops and tests innovative Smart Grid and smart cities systems as well as combinations of solutions through a number of demonstration projects worldwide, together with customers and public authorities. The Group is a worldwide leader in this particular domain, with 30 Smart Grid demonstration projects underway in 2013/14. Over the most remarkable projects:

Smart Grid

- **PNW-SGDP:** the US Pacific Northwest Smart Grid Demonstration Project (PNW-SGDP) is the largest DOE (Department of Energy)-funded demonstration project combining the testing of new software components for real-time energy pricing from wholesale transactions to lower scale interfaces in homes, in five states (Washington, Oregon, Idaho, Montana and Wyoming) and covering more than 60,000 consumers. The Grid Sector is supplying the middleware and software infrastructure required, embedding these new transactional control concepts.

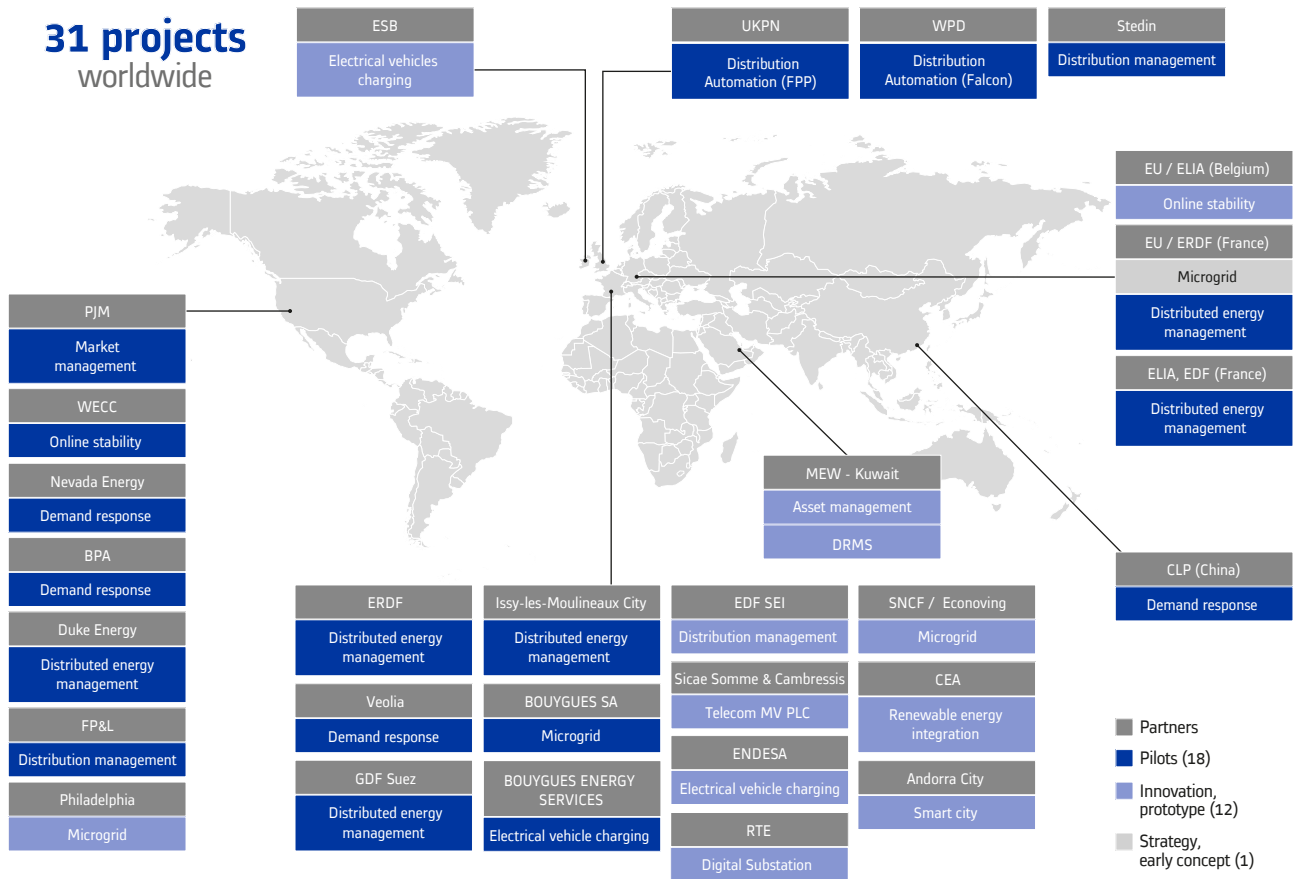
Smart Cities

- **NiceGrid** (France): set near the city of Nice on the French Riviera, the NiceGrid project uses the iDMS (Integrated Distribution Management System)/DERMS (Distributed Energy Resource Management System) Smart Grid platform which interconnects smart homes, smart buildings, energy storage and an important quantity of solar photovoltaic panels, gathering them into a single integrated microgrid. This project offers a better energy consumption management of the microgrid, and connects it to the main distribution network.

- **Duke Department of energy Smart Grid Demonstration Project** (North Carolina, United States): the project led by the Department of Energy is designed to efficiently integrate distributed energy resources into the electrical grid in order to help the operator reach its Smart

Grid targets for 2030, including a 40% improvement in system efficiency. The Grid Sector supplied its iDMS, to integrate multiple types of distributed resources and monitor information from several distributed interfaces.

ALSTOM SMART GRID PROJECTS: PILOTS, PROTOTYPES, AND EARLY CONCEPTS



Source: Alstom

Additionally, the Grid Sector's R&D labs are working on the next generation of Smart Grid solutions, including:

- **Data analytics:** With the deployment of Smart Grid technology, a large quantity of data is collected from many sources on the medium- and low-tension networks. To collect the data, equipment such as smart meters, distribution and substation intelligent devices and phasor measurement units are used. Alstom is developing a new software platform for big data management to transform large volumes of data into useful information to be handled and analysed by grid operators, cities and consumers;

- **Wide-area automation:** Today's grids are operating near their maximum capacity with higher energy flows that are variable in both value and direction. This is a significant challenge for grid operators to face. Alstom is currently developing a new wide area automation solution to detect grid disturbances and trigger tailored emergency protection schemes. This solution leverages advanced grid condition monitoring, new power electronics automation and defence plans tailored to prevent and mitigate blackouts.

TRANSPORT SECTOR

The Transport Sector is one of the global leaders in rail transport equipment, systems, services and signalling for urban, suburban, regional and main line passenger transportation, as well as for freight transportation. It benefits from a growing market with solid fundamentals, driven by economic growth, growing urbanisation, environmental concerns and public spending. In this context, Transport has been able to develop both a local and global presence that distinguishes it from many of its competitors, while providing it with a real sense of proximity to its clients and greater industrial flexibility. Its products, which constitute one of the most complete and integrated product offerings on the market today, together with its position as a technological leader, place the Sector in a unique position through which it is able to benefit from the worldwide growth of the rail transport market. Lastly, in order to generate profitable growth, Transport focuses on operational excellence and continuous efforts toward improvement.

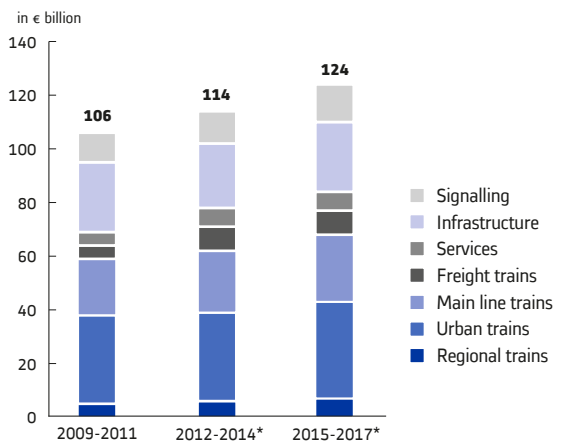
INDUSTRY CHARACTERISTICS

Main markets

Market evolution

According to UNIFE (Union of European Rail Industries, *Union des industries ferroviaires européennes*), the annual accessible worldwide market for the 2012-2014 period is estimated at €114 billion. This market should grow to reach an annual average of €124 billion over the course of the 2015-2017 period (source: 2012 UNIFE Report).

MARKET SIZE PER PRODUCT (Annual average value)



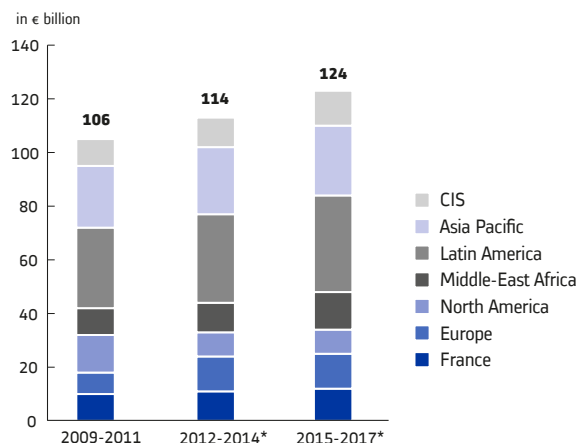
* Forecasted data.

Source: Alstom – UNIFE

Market evolution per region

Geographically, Transport's markets are split into seven regions: France, Europe, North America (NAM), Latin America (LAM), Asia/Pacific (APAC), the Commonwealth of Independent States (CIS) and the Middle East/Africa (MEA).

MARKET SIZE PER REGION (Annual average value)



Source: Alstom – UNIFE

* Forecasted data.

The **European market (excluding France)**, which is the leading railway market in the world, should experience slower growth and rise from €33 billion to nearly €36 billion per year from 2009-2011 to 2015-2017, which corresponds to an average annual growth rate of +1.6%. The situation remains quite heterogeneous from one country to another. Germany represents the largest market and should stabilize around €7.5 billion per year. Investments continue to be made in regional segments in the Benelux and Scandinavian countries, as well as in the United Kingdom's urban segment, which should exceed €5 billion per year in 2015-2017. Southern economies such as Italy and Spain are beginning to grow again now that the impact of the financial crisis has subsided. In Eastern Europe, Poland remains the leading market with over €2 billion per year in 2015-2017. Signalling projects should be launched in Norway, Spain, United Kingdom and Benelux, and integrated solutions projects are expected in Denmark, Belgium and Eastern Europe (thanks, in particular, to European Union financing). More generally, opportunities in the market for services are expected due to the modernisation and maintenance of trains that are already in operation, and to the opening of new services markets, particularly in Greece.

The **French market** remains attractive, driven by investments in urban and intercity transportation projects, especially as a result of projects to improve infrastructure and urban transportation systems, of which the “*Le Grand Paris*” programme is the most significant example. In addition, in the medium term, the renewal of the TGV ⁽¹⁾ product range should represent a significant source of growth. Lastly, sizeable renewal and expansion investments are expected. As such, the French market is expected to grow from €5 billion to €7 billion per year from 2009-2011 to 2015-2017, which corresponds to a weighted average annual growth rate of +4.9%.

In **North America**, freight transportation is historically significant and represents approximately 70% of the local market, which should grow from €21 billion to €25 billion per year from 2009-2011 to 2015-2017. The passenger transportation segment should remain a strong vehicle for growth, in particular with urban transportation focusing on Light Rail Vehicle (LRV), metros and signalling. In the longer term, high-speed train projects could be developed (for example, a Los Angeles – San Francisco line). More generally, opportunities in terms of maintenance services and renovations are expected.

Middle East and Africa should continue to grow and reach nearly €9 billion per year in 2015-2017. Growth should be fuelled mainly by significant orders for EMUs (Electric Multiple Unit) and locomotives in South Africa, as well as by integrated solution urban transportation projects and main line transportation projects in Saudi Arabia, Qatar and the United Arab Emirates. In addition, Algeria, Iraq and Egypt should commit to massive investments in their railway networks.

At the current level of €26 billion, the **Asia-Pacific market** should remain relatively stable from now until 2015-2017, as it has been significantly affected by the reduction in investments in high-speed trains in China. The Indian market doubled in 2012-2014 as compared with 2009-2011, which was mainly the result of investments in metros and automated systems. Other countries in the region, such as Indonesia, Australia, South Korea and Thailand, should experience significant growth, especially in the urban transportation and main line infrastructure segments.

Although less significant in terms of volume, the **Latin American market** should continue to grow and is expected to reach nearly €7 billion per year by 2015-2017. Brazil is the main market in this region, and represents more than half of the overall investment. Demand for integrated solutions is in full expansion in this territory.

The market growth for the **Commonwealth of Independent States (CIS)** will be mainly associated with significant and long-term investments committed by Russia, and driven by a strong political backing, in order to renew and renovate its fleet of locomotives and urban transportation systems, as well as its signalling systems and services. Between the 2009-2011 period and the 2015-2017 period, average growth should reach 4.5% per year, which represents a sales volume of approximately €14 billion per year from now until then.

Market drivers

In the long run, the main factors that have a positive effect on the evolution of the rail transportation market are associated with the economic and demographic growth in emerging countries, which creates a growing demand for infrastructure, trains (especially for integrated solutions) and signalling in these countries. Mature markets, on the other hand, are mainly supported by projects aimed at updating and modernising existing infrastructure, as well as by growing environmental concerns.

Demographic growth and 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 should be 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, in developed countries, the population should be encouraged to leave behind individual methods of transportation such as the car and to favour public transportation, such as metros and tramways. This change will be supported *via* 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 will be required to find efficient, comfortable and intermodal urban transportation systems ⁽²⁾. 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 zones should promote this urban growth and require transportation solutions that are adapted to these areas. Innovations able to reduce the environmental impacts in urban zones, such as noise and pollution, as well as improving the energy efficiency of these transportation methods should then become major priorities.

The growing urbanisation should also lead to extending transportation networks that connect big cities to smaller cities. In this respect, it has already been proven that the high-speed train is both much safer and consumes less energy than other methods of transportation (source: CE Delft). An increase in high-speed lines and the renewal of train fleets should take place in both mature and emerging markets, while the creation of new networks will create additional opportunities.

(1) TGV is an SNCF Trademark.

(2) Intermodal transportation corresponds to the use of several methods of transportation over the course of a single trip.

Environmental concerns

Greenhouse gas emissions, the 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. Based on these criteria, rail transportation offers higher performance levels than other methods of transportation, 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.

The White Papers of the European Union advocate for a reduction of 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 set goals for transportation by 2050, the following should be noted:

- 60% reduction in emissions as compared with 1990 levels;
- 30% of road freight (for distances higher than 300 kilometres) must become rail freight and/or maritime freight by 2025;
- over 50% of intercity passenger transportation must be done *via* rail by 2050;
- no more standard internal combustion engine cars by 2050.

On a global scale, the 2012 Rio Conference planned that, over the course of 10 years, \$175 billion would be allocated toward the development of urban public transportation. More recently, the “2013 Transportation Day” was organised in Poland in the context of the 2013 United Nations Climate Change Conference (COP19). Over the course of this conference, the Warsaw Statement on Low Carbon Transport and Sustainable Development was ratified, and which Alstom has endorsed. This Statement also contains recommendations on the implementation of sustainable low carbon emitting transportation methods, which is tied to the United Nations’ climate change programme and, in particular, with the new agreement on climate change to be signed in Paris in 2015.

Economic growth and investment plan

Recently, the global economy has experienced turbulence that has slowed down growth and increased public deficits. Nevertheless, the long-term prospects for the rail transportation industry remain positive due to the fact that investment projects in rail transportation systems, whether targeting urban or main line networks, are not significantly impacted by this situation. As such, world passenger traffic should grow by 4.8% per year until 2020 (source: *SCI Verkehr*).

Therefore, the railway industry remains strategic, with significant investment plans throughout the world.

- From 2012 to 2017, India Railways is expected to invest over €100 billion in railway infrastructure, including more than 3,000 kilometres of rail dedicated to freight transportation (source: *India News Diary*).
- 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*).
- By 2025, Brazil intends to invest over €60 billion to expand its rail transportation network by 10,000 kilometres (source: *Railway-technology*).
- From 2013 to 2015, the Polish government is expected to spend over €5 billion on 140 railway infrastructure projects (source: *RailwayPro*).
- In 2011, the World Bank doubled its 5-year financial commitment to supporting rail transportation by increasing it to €4 billion.
- In Europe, the “Connecting Europe Facility” initiative allocates €26 billion in investments in transportation infrastructure, notably in railway infrastructure and signalling systems (source: European Commission).
- Public-Private Partnerships (PPP) have been established in Europe, India and Brazil, in particular.

COMPETITIVE POSITION

By relying on its extensive experience, the Transport Sector offers a wide array of railway products, services and solutions which it produces and sells worldwide thanks to its complete commercial and industrial geographic market coverage. Transport is among the leaders in all the major segments of the railway industry: urban and main line transportation, signalling, services and integrated solutions (source: Alstom). In addition, Transport has reinforced its international presence through partnerships and joint ventures, in particular in the CIS and, more recently, in South Africa, which provide it with a competitive advantage in new high-growth zones.

Transport’s main competitor is Bombardier, which offers a similar range of products and services and is also present on an international scale. Siemens is another competitor in the rail transportation market, and is particularly reliant on its powerful presence in its domestic market.

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

In addition, some Japanese groups (Hitachi, Kawasaki, Mitsubishi and Toshiba) are also present in certain markets outside Japan, but to a lesser extent.

The Chinese manufacturers CNR and CSR, of which the Chinese State is the majority shareholder, mainly benefit from the development of their significant domestic market, yet are expressing international ambitions.

STRATEGY

The Transport Sector has devised a strategy based on several principles that it intends to apply to each of its geographic markets, organised into seven regions, thus guaranteeing close proximity to its customers.

GROWTH: Optimise its worldwide and local presence

Transport plans to develop the presence of its commercial and industrial sites while adapting them to each of the regions in which the Sector operates. As such, by reinforcing its local base, Transport's strategy is to benefit from the growth potential in each of these local markets. In this way, the Sector believes it can take advantage of more competitive pricing in all its local markets. This presence also enables Transport to benefit from the sharing of experiences as well as synergies for certain technologies that meet specific local needs ("winterisation", "tropicalisation", etc.).

The Sector also wishes to focus on the flexibility of its products and services by always exceeding expectations in terms of technical requirements and local regulatory constraints. By offering solutions that are constantly better adapted to local specificities, Transport believes it can penetrate new growing markets. Transport considers that entertaining ever stronger local relationships with its customers promotes proximity. In addition, the Sector limits its costs of expansion associated with its local development by adapting its approach to work directly or *via* partnerships (joint ventures, etc.).

Lastly, the establishment of new engineering centres outside Europe and the installation of new production sites must enable the Sector to significantly reduce both its engineering costs and its production costs while maintaining its level of excellence. Its production platforms throughout the world should benefit from the planned improvement of its operating network, structured around centres of excellence.

PRODUCT PORTFOLIO: Accelerate the transition toward a fully integrated range of solutions

Transport intends to increase the level of carryover toward its "Systems", "Services" and "Signalling" business activities and, therefore, offer solutions that are even more innovative in order to continue to differentiate itself from its competitors. Through its "Services" business activity, the Sector plans to strengthen its relationship with its customers. Focusing on the "Systems", "Services", and "Signalling" business activities will also be a means of increasing the profitability of the Sector.

Since the Sector already has a complete array of business activities, the determining strategy will be to develop train offers bundled with services or integrated solution offers. Transport intends to be prepared to accommodate all levels of integration its customers may seek by offering a full range of options – from a simple product offer, the offer of solutions integrated within a single market segment, the bundled offer of solutions for two market segments, up to the fully integrated solutions offer. With the help of adapted and innovative integration offers and the ability to propose customised solutions, Transport will have a significant competitive advantage in meeting the growing demand for integration. The Sector plans to develop its maintenance contracts linked to products by relying on its experience in optimising life cycle costs.

TECHNOLOGY: Relying on innovation as a key differentiating factor

Transport's strategy is to set itself even further apart from its competitors by relying on its technological innovations. The aim of this strategy is to win particularly complex and profitable project bids and to make penetration into these markets even more difficult for competitors. The technological innovations developed by the Sector will particularly take into account environmental considerations, which will be at the heart of the challenges the Sector will have to face.

More generally, the Sector plans to invest in technologies that improve its competitiveness and to concentrate new developments on lowering the life cycle costs of its solutions. The goal of this strategy is to enable the Sector to offer more competitive pricing and increase its profitability.

In order to preserve this technological leadership, the Sector plans to maintain its current level of investment in R&D and to promote cooperation not only internally, but also with its suppliers and customers.

OPERATIONAL EXCELLENCE: Ensure flawless execution in a demanding global environment

In a growing competitive and increasingly demanding environment, the Sector's goal is to keep its operational performance a priority.

Transport intends to continue to improve the efficiency of its sites, both individually and overall, and to focus completely on satisfying its customers by guaranteeing flawless execution and by making the reliability of its products a key element of its offer.

In addition, Transport will continue to establish centres of excellence in order to develop its know-how with respect to the skills and products essential for the whole Sector. Transport intends to benefit from economies of scale through this all-inclusive approach to products.

The Sector's operational excellence is based on the implementation of Alstom's "d2e" performance plan ("Dedicated to Excellence"), the goal of which is to, on the one hand, improve the competitiveness of its offer and, on the other hand, further perfect its project execution. The goal of this strategy is to focus on reducing costs, increasing productivity, and generally improving the competitiveness of the Sector in order to ensure high and sustainable profit margins for all the Sector's products.

CORPORATE SOCIAL RESPONSIBILITY: Contributing to a sustainable world

The Transport Sector supports the Group's Corporate Social Responsibility policy by designing and delivering global, efficient and sustainable railway systems that benefit everyone they serve: operators, authorities, passengers and communities.

It commits to reducing the environmental footprint of its operations and sites and to ensuring safety and health for its employees and contractors everywhere it operates. It also strives to maximise its environmental and societal benefits by reinforcing collaboration with customers and suppliers in sustainability fields, particularly the energy efficiency of railway systems.

The Transport Sector contributes to the modal shift from road to more environmentally-friendly transport means by developing competitive and attractive railway solutions through:

- innovation for energy-efficient and high environmental performance trains, smart railway systems and value-added services;

- eco-design to improve the environmental performance of solutions over their entire life-cycle which contributes to reduce their life-cycle cost and reinforces their attractiveness.

To learn more about the Transport Sector's contribution to sustainable development, please refer to Chapter 6 of this document.

OFFERING

Transport's portfolio is organised in two complementary activities:

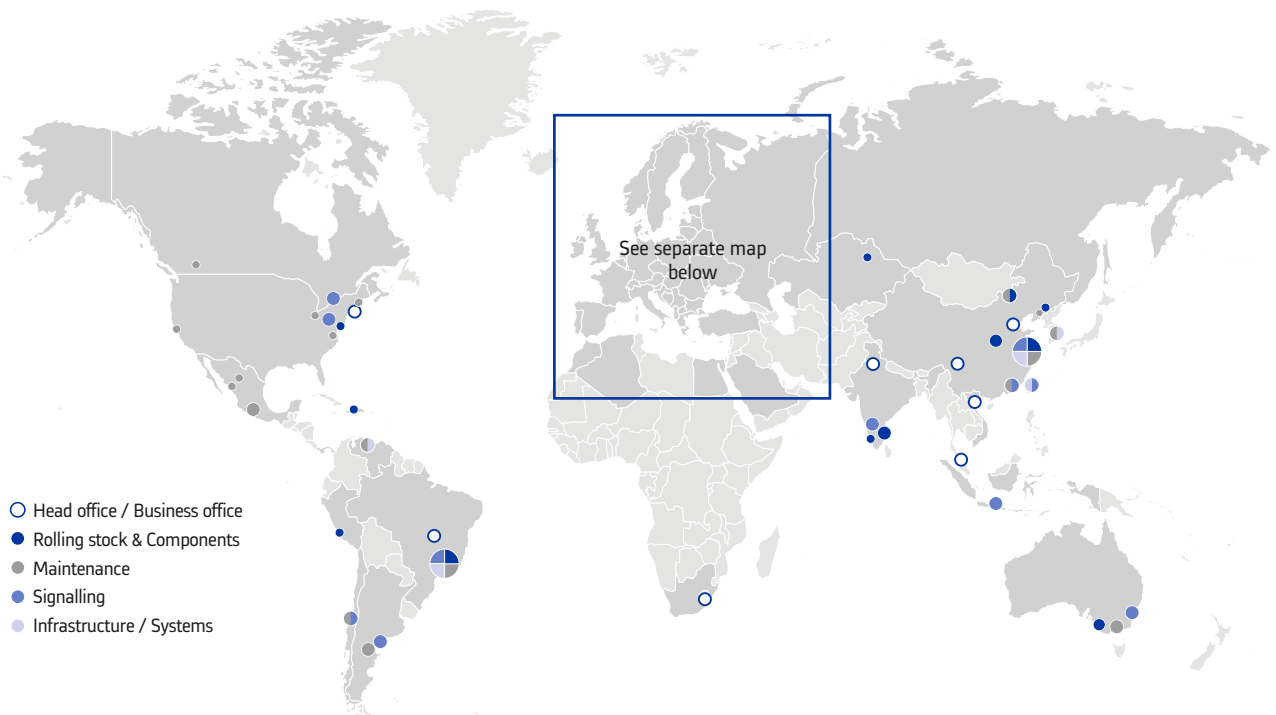
- **Trains, Systems & Services (TSS)**, which includes trains, components, services and infrastructure (track and electrification), as well as integrated solutions;
- **Transport Information Solutions (TIS)**, which includes all the railway traffic control systems (signalling and information systems).

The Transport Sector has designed 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.

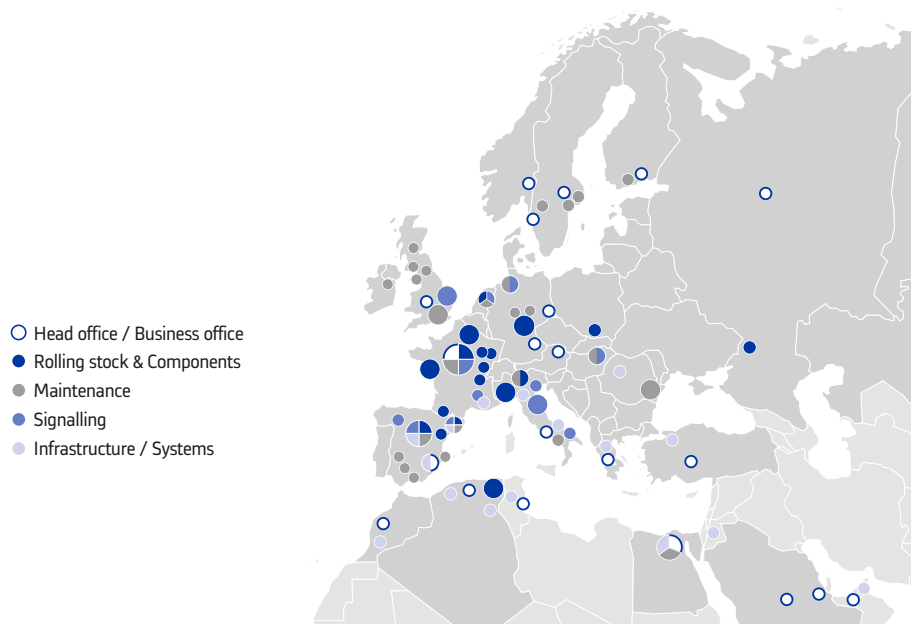
Thanks to its global network and its strong local presence worldwide, Transport is able to competitively meet the demands of its customers throughout the world, while working in increasingly demanding local environments. The proximity to manufacturing sites allows for the precise monitoring of changes in customer needs and the ability to respond quickly.

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

MAIN BUSINESS OFFICES AND INDUSTRIAL SITES OF THE TRANSPORT SECTOR



MAIN BUSINESS OFFICES AND INDUSTRIAL SITES IN FRANCE, EUROPE, MIDDLE EAST / AFRICA AND CIS



Source: Alstom

Trains, Systems & Services (TSS)

With respect to the transportation of passengers by rail throughout the world, the Transport Sector's range of products covers all market segments, from tramways to very high-speed trains and offers its customers custom-made solutions, based on standardised platforms. Transport also manufactures main line and shunting locomotives in order to meet the needs of the freight rail transportation market. The Sector directly designs and produces the main mechanical, electric and electronic components for the bogies, traction system and power supply of its trains.

Trains

Tramways

In the past 15 years, over 1,700 tramways in the CITADIS™ range of products have been sold throughout the world. The CITADIS™ range of products is a tramway market reference, as shown through its vast portfolio of customers. Since 2004, 360 offers bundling tramways and maintenance contracts were sold for an average length of service of 15 years. CITADIS™ offers a complete range of solutions allowing for an adapted response to urban and suburban transportation needs. Since 2000, 6 billion passengers have been transported and 500 million kilometres have been travelled.

The CITADIS™ family of products is compatible with existing networks. Tramways are easily introduced in any urban landscape, offer great accessibility and can reach speeds of 50 to 80 km/h. In addition, CITADIS™ also offers a new autonomous catenary-free solution, whether *via* a ground level power supply (or APS™), batteries guaranteeing enough charge to handle short distances or supercapacitors. The development of the next generation of CITADIS™ products takes into account new demands expressed by its customers (improved comfort, reliability, lower maintenance costs, larger driving range, speed).

The CITADIS™ products rely on a range of widely tested standardised components and are highly customisable, as they can accommodate cars of 22 to 43 metres in length. The CITADIS™ products can be included in the integrated solutions offered by the Sector.

Light Rail Vehicle (LRV)

The CITADIS Dualis™ Light Rail Vehicles (LRV) are able to travel on both urban networks and regional lines. Transport breaks down its Light Rail Vehicle (LRV) offer into three products: the CITADIS Dualis™ (200 ordered as part of a framework agreement, 80 of which have been delivered), the Regio Citadis™ (100 currently in service), and the CITADIS Spirit™ for the North American market (first contract in Ottawa for 34 trains).

Light Rail Vehicles (LRV) meet cities' high demand to develop public transportation from the city centre to outlying areas, with no required change in method of transit. LRVs rely on a range of standardised components that enable the Sector to take advantage of this growing demand.

These vehicles are as flexible and light as a CITADIS™ and, when deployed on a rail network, easily take the form of a regional train, transporting passengers at speeds nearing 100 km/h. They offer integrated solution opportunities.

Metros

Relying on a hundred years' experience in the metro industry, Alstom developed METROPOLIS™, of which over 4,000 metro cars have been sold to 50 international customers. The fact that the METROPOLIS™ range of products is highly customisable allows operators to select multiple units combining two to eight cars, with widths ranging from 2.7 to 3.2 metres, and able to transport up to 100,000 passengers per hour and per direction.

The METROPOLIS™ range of products was designed with three goals in mind: maximising passenger comfort and security, reducing the costs of ownership and simplifying traffic management. The customisable structure of the METROPOLIS™ and the standardisation of its sub-systems (in particular, the traction and the bogie motor) permit easier access to equipment and, as a result, simpler maintenance.

The METROPOLIS™ is the most innovative model offering a wide array of solutions that can provide both standardised or customised products: the choice between aluminium and stainless steel, two to eight cars, 2.7 to 3.2 metres in width, a driverless option and integrated solutions options.

The Chennai factory in India now offers the option of manufacturing the METROPOLIS™ range of products at a very competitive cost.

Suburban trains and regional trains

Over the past 30 years, Alstom has developed experience in the market for regional suburban trains, selling over 3,000 suburban and regional trains worldwide.

The X'TRAPOLIS™ range of products meets suburban and regional transportation demands resulting from the development of outlying urban areas. X'TRAPOLIS™ is a high capacity train (up to 30,000 passengers per hour and per direction) and reaches 120 km/h at top speed. These trains can take various forms including, in particular, double-deck versions, with added information equipment or interior surveillance equipment. 760 are currently in existence and can be found in Australia, Chile and shortly, in South Africa.

The CORADIA™ range of regional trains offers a varied fleet of trains that can easily be used according to different configurations, whether in terms of their motorisation (electric, diesel or bi-modal), their architecture (single or double-deck), or their number of cars (two to seven). More than 1,100 regional trains in this range of products are currently in circulation in nine European countries and in Canada. For each operator, Alstom's regional range of products offers an adapted technical configuration: from the CORADIA Lint™ (diesel, sold to over 14 customers in Germany, the Netherlands, Denmark and Canada), to the winterised CORADIA Nordic™ able to withstand extremely low temperatures, to both the CORADIA Continental™ and the Meridian™ (electric), the CORADIA Duplex™ and the CORADIA Polyvalent™, which is particularly customisable (ordered by the SNCF in a framework agreement for 1,000 trains in 2009).

The components and parts used in the entire CORADIA™ range of products are standard, guaranteeing perfect control over maintenance and costs, whereas the interiors are customisable and can be reconfigured based on specific operational needs. X'TRAPOLIS™ and CORADIA™ are products whose design and production are very complex and require an especially strict choice of suppliers. Operators can choose train sets of 27 to 81 metres in length, taking advantage of the range's many modular configurations.

High-speed trains and very high-speed trains

The PENDOLINO™ is designed to travel at top speeds of 250 km/h on both high-speed and conventional lines. It operates under extreme weather conditions (from +45° to -45°C). It can also come equipped with Tiltronix™, Alstom's tilting technology, which enables the train to tilt by up to eight degrees in curves and still run at 250 km/h, thereby allowing it to travel 30-35% faster than conventional trains.

The Transport Sector currently has 630 very high-speed trains in service throughout the world. The range of products relies on two flagship products that represent the culmination of 35 years of expertise: the Euroduplex™ and the AGV™ (*Automotrice Grande Vitesse*).

Euroduplex™ is the only double-deck very high-speed train on the market, able to carry over 1,000 passengers at speeds of 320 km/h. Designed for interoperability, it offers signalling equipment that is compatible with multiple networks and is equipped with traction systems that are suited to several different electrical voltages – as a result, it is able to cross European borders smoothly.

The AGV™ is designed to travel at commercial speeds of up to 350 km/h. It is the only very high-speed train to combine articulated architecture and distributed power, as opposed to simply powering the front or rear drive wheels. As a result, the AGV™ offers excellent operating costs in terms of energy and maintenance due, in particular, to investments aimed at reducing AGV™'s mass and energy consumption (10-15% reduction). The AGV™ can recover the energy lost during braking and returns it to the electric power grid (up to 8 MW), which makes it a particularly environmentally friendly transportation method.

Worldwide, one out of every three high-speed or very high-speed trains was built by Alstom, which represents 1,080 ⁽¹⁾ trains in service throughout the world (source: Alstom).

Locomotives

The manufacturing of locomotives for the purpose of passenger or freight transportation is at the heart of the Transport Sector's historical business activities and expertise. With over 2,000 locomotives sold throughout the world, for the past decade Prima™ has provided a response that is well adapted to operators' demands.

Fully compatible with the ERTMS and ETCS 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, 1,500 V and 3,000 V). They are equipped with an independent traction system on each axle that reduces the risk of downtime due to immobilisation.

Alstom and TMH have combined forces to co-develop and co-produce an electric passenger locomotive known as the EP20, inspired by the Prima™ locomotive, specifically designed for the CIS, and able to run in extreme weather conditions (temperatures as low as -50°C). Its design was entrusted to TRtrans, an engineering company founded in December 2010 and co-owned by TMH and Alstom. The design and manufacturing process takes place at the TMH site of Novochoerkassk, in southern Russia. The Kazakh version of the EP20 (the KZ4AT) is manufactured and assembled in a factory in Astana (Kazakhstan) that opened in October 2012.

Since 2012, the Transport Sector has been developing a hybrid locomotive, known as the H3, that answers environmental concerns by reducing the noise level, emission of pollutants and energy consumption.

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 strategic 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 the Transport Sector's engineers, and are installed in all Alstom equipment, from tramways to very high-speed trains (from 70 km/h to 350 km/h).

(1) UIC (International Union of Railways) estimates that there are approximately 2,800 trains currently in service worldwide able to exceed top speeds of 200 km/h.

Currently, with the exception of a few specific projects (for example, the Montreal metro) as well as the Chinese market, these components are sold separately by Alstom.

Control over the entire manufacturing process for these critical components is a key asset in Alstom's offer of complete train systems, 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

Infrastructures

Transport offers infrastructure solutions that are adapted to a wide array of standards. The Sector contributes its experience and its project management skills in two main areas: electrification and track work.

Transport designs and installs electrification and power supply systems and, in particular, sub-stations and catenary-free power supply systems for tramway lines (APS™). The Sector also develops innovative and distinctive solutions such as HESOP™ (Harmonic and Energy Saving Optimiser), a high-performance system able to recover energy lost during braking and feed it back into the grid (up to 99% energy recovery rate). This system is particularly well adapted to urban transportation needs, allowing for a better optimisation of energy supply systems and an overall reduction in energy consumption.

Alstom also offers solutions for the automatic installation of tracks (APPITRACK™) or the installation of ballastless tracks for main lines (NBT™).

These infrastructure solutions make it easier to incorporate products within integrated solutions.

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, information systems, signalling, infrastructure and maintenance). The Sector offers these solutions both in the urban transportation market (tramway or metro) and in the main line transportation market (including in the very high-speed market).

Acting as the leader or partner in a consortium, Alstom directs or participates in the management of these projects, which are carried out in the context of contracts known as "design, construction, operation and maintenance" or of public-private partnerships. The management of these projects includes the design, manufacturing (excluding public works) and, as a result, any associated risks, in particular, the availability of work sites affecting the timeline for execution, entry into commercial service and the maintenance schedule, as well as the financial, administrative and technical coordination of the project. As of end of 2013/14 fiscal year, Alstom is managing numerous ongoing integrated solutions projects.

Axonis™ is one of the integrated solutions offered by Alstom, developed in partnership with a subsidiary of the Bouygues group for public works and in certain market segments. Axonis™ is a light metro system that meets the demands of cities in search of solutions that can be installed quickly and easily, while providing an optimum life-cycle cost. Able to transport up to 45,000 passengers per hour and per direction, Axonis™ relies on standard sub-systems and interfaces that make future system extensions or updates easier to apply and install.

Services

Whether they are public or private rail operators, fleet managers or maintenance specialists Alstom is there to assist its customers for the entire life cycle 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 rolling stock – whether it was or not manufactured by Alstom – and equipment throughout their cycle of use.

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

Maintenance

Transport is responsible for the maintenance of over 8,400 cars in approximately 120 warehouses throughout the world. Maintenance contracts are in place for periods that can vary from 5 to 30 years. The Sector's know-how with respect to the maintenance of railway rolling stock is widely recognised, and approximately 20% of the equipment maintained by the Sector was initially manufactured by other market players in the railway industry (source: Alstom).

Modernisation

The Transport Sector provides a range of services that also includes modernisation, which is key to extending the life of railway rolling stock (it is possible to achieve 15 additional years of operation) and systems, but also to improve performance, particularly regarding energy consumption (up to 35% less), which results in reduced life-cycle costs, and also improves the passenger environment. For those operators with the industrial means to complete their projects internally, the Sector 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, the Transport Sector 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

Transport offers a flexible range of services, from a one-time purchase (over 600,000 references for spare parts, all of which comply with the specifications of their original manufacturers) via a spare parts catalogue, to leading the integrated management of spare parts, which includes a plan for maintenance and revision work. The Sector relies on a global network of five "hubs" dedicated to providing critical spare parts and 13 repair workshops throughout the world. A web portal was developed to facilitate transactions and the monitoring of orders.

Support services

Support services include the training of personnel by 150 experts, in particular train drivers, technical assistance for the management of the life cycle of products, fleet control, and the management of obsolescence. Today, Alstom provides its technical expertise, in particular, to a fleet that includes over 1,700 tramways, and it remotely manages over 600 trains throughout the world. Although this business activity does not currently generate significant revenues, it offers the benefit of creating closer ties with clients and, in so doing, building long-term relationships.

Transport Information Solutions (TIS)

Alstom provides operators and infrastructure managers the means to ensure the safe and smooth transportation of passengers or merchandise, thereby optimizing the efficiency of urban or main line networks. The Sector 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.

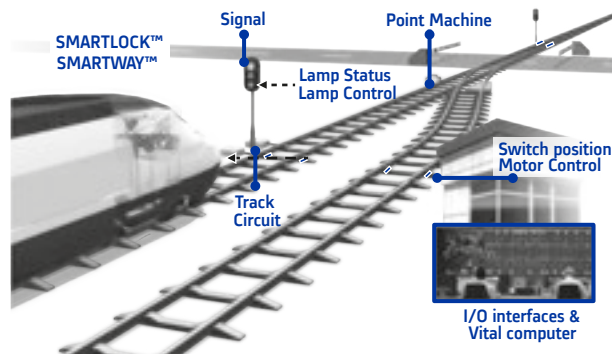
The Transport Sector's offer is focused on two separate segments of the market: main line networks and urban networks – for which Transport offers complete and integrated solutions, which are customisable, based on the needs of its customers. In addition, the Sector also offers passenger security solutions,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

The development of Transport Information Solutions enables Transport to meet the growing demand for integration expressed by its customers. At the same time, the Sector 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 optimize its development efforts, the products and solutions of "TIS" rely on shared processes.

Mainline networks

As part of its range of products for mainline networks, the Sector offers both onboard and on-track products (interlocking and trackside equipment) and solutions (automated control system, control centre). Transport also offers its own solutions with respect to signalling and track control, such as the Smartlock™ interlocking system or its Smartway™ signalling products, which are also sold independently of its ATLAS™ integrated offers.

Smartlock™ and Smartway™



Compatible with the main signalling standards in existence today, Smartlock™ and Smartway™ are considered high-quality solutions recognized for their versatility. Contracts covering approximately 12,000 kilometres of track have been booked, of which nearly 35% correspond to products or solutions already in service. At the global level, 18 countries are currently utilizing the technologies developed by the Transport Sector.

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.

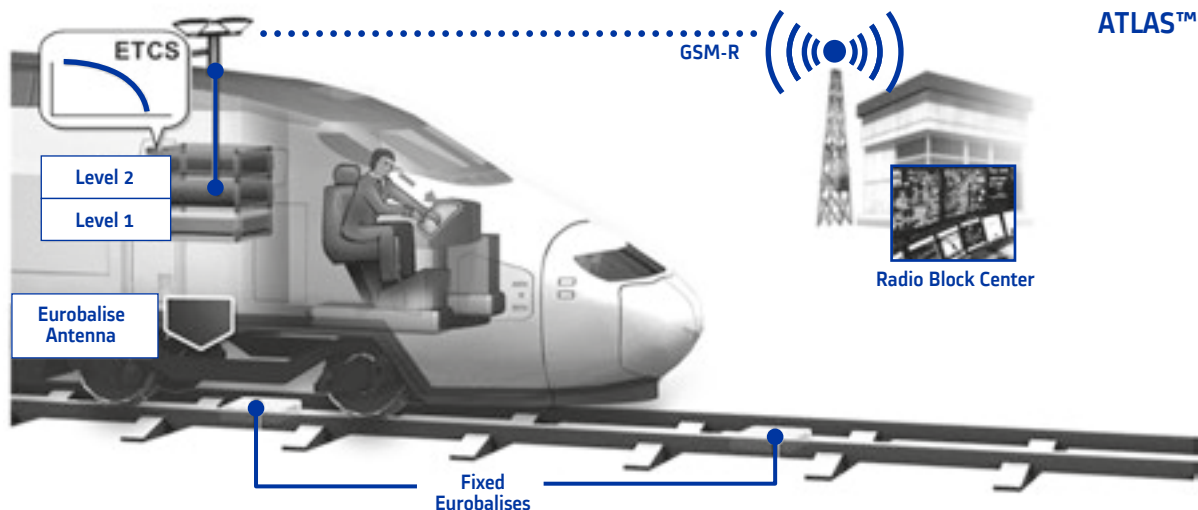
Smartway™ is a range of standard track signalling equipment that includes track circuits (detection of trains per section of track, in order to ensure traffic safety) and switch position motor control (ability to lead trains toward any given track).

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.

ATLAS™ integrated 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, the Transport Sector'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.

This integrated solution is installed in over 1,500 onboard systems in over 100 different types of trains.



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, the Transport Sector offers both onboard and on-track products (interlocking and trackside equipment) and solutions (automated control system, control centre).

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

URBALIS™ integrated solution

URBALIS™ is available in over 50 metro lines throughout the world and installed on nearly 630 kilometres of track.

In its URBALIS™ product line, the Transport Sector offers URBALIS™ 400 and URBALIS™ Fluence, which are two CBTC solutions that rely on the same technological base. This base is upgraded on a regular basis and meets the criteria for the highest level of safety endorsed by official independent authorities.

- URBALIS™ 400 is an ideal CBTC solution for urban transit operators aiming to maximize performance and capacity, while requiring standard interlocking systems for operational needs.
- URBALIS™ Fluence is the first train-centric CBTC. This innovative solution simplifies the complex route setting and interlocking functions, merging them completely into CBTC.

The URBALIS™ integrated offer also relies on Smartlock™ interlocking systems and Smartway™ signalling products developed by the Transport Sector.

Network and passenger monitoring and surveillance systems

As the need for more efficient rail network operation increases as a result of an effort to optimize 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 customizable to rapidly take into account the operator's structure and operation procedures.

The Sector's solutions focus on passenger safety and the management of information intended for them. With over 60 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™ integrated 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.

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.

The Transport Sector's passenger information and entertainment system (PACIS™) 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 rolling stock products.

Security

Protecting passengers and their belongings from any potential security threats is a central focus for the Transport Sector. Relying on its technical know-how, which enables it to evaluate precisely the risks faced in all the segments of the rail industry, the Sector 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).

The Transport Sector'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 customizable security system structure that can be tailored to any type of train, station, control centre, or warehouse (under construction or renovation).

RESEARCH AND DEVELOPMENT

The Transport Sector continues to invest in innovative technologies for each of its two areas of activity: Trains, Systems & Services (TSS), which includes trains, services, and infrastructure (track and electrification), as well as integrated solutions, and Transport Information Solutions (TIS), which includes all the railway traffic control systems (signalling and information systems).

The main associated programmes are presented below.

Trains, Systems & Services (TSS)

Trains

Smart METROPOLIS™

In order to meet new market trends while utilising the experience of METROPOLIS™-style metropolitan train systems, Alstom decided to launch the "Smart METROPOLIS™" range of metropolitan train systems based on the following main drivers: modularity, flexibility, simplicity and agility.

New CITADIS™

The market for "light vehicles" should experience strong growth in the coming years. The objective is to expand the current offer of tramways (the CITADIS™ range of products) with improved performances by including multiple configurations, two types of bogies, and the use of permanent magnet traction motors that reduce energy consumption. Efforts have also been made to reduce maintenance costs and comply with both current standards and those under development. The objective is also to

enable the transportation of an increasing number of passengers under optimal conditions of comfort. The programme was launched in July 2013.

CITADIS Spirit™

The development of a large market for low-floor Light Rail Vehicles ("LRV") is expected in North America in the coming years. The objective of the CITADIS Spirit™ project is to develop a new range of CITADIS™ products for North America able to travel at speeds of 100 km/h while relying on an optimized configuration and performances in compliance with APTA recommendations. Its 100% "low-floor" configuration and the fact that it is produced in North America at a very competitive price make this a highly differentiating product for Alstom. The programme began in 2013 and the full launch of the first train is expected to take place in Ottawa in the spring of 2018.

H3 Locomotive

The goal of this programme is to develop an innovative shunting locomotive, with power needs lower than 1000kW. This locomotive platform consists of four standardized versions:

- Akku version (170 kWh batteries);
- Hybrid version (one generator set plus a traction battery);
- Version with a dual engine (two generator sets);
- Version with a single engine (one generator set).

This program was launched in 2012 and the first locomotive will be showcased at Innotrans 2014.

Components

Silicon Carbide (SiC) to improve traction performance

The Transport Sector uses silicon carbide components to design the traction power converters of its trains. The main advantages of this technological change are the reduction of losses in energy, weight savings, and an improvement in the level of comfort.

Systems

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 was to characterise the market (monorail and light metro solutions) and 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). The system was commercialised in late 2013.

NBT™ (New Ballastless Track)

The Transport Sector has developed a ballastless track designed to last 100 years in order to optimize the cost of the system over the course of its life cycle. This R&D programme also includes the design of an automated construction system for the ballastless track able to minimise its installation time. This solution offers a higher level of operational availability, reduced life cycle cost, and a shorter installation time. It also allows for significant savings to be made on civil engineering costs (tunnel and viaduct) and the installation surface. Initial studies began in 2007 and the product is currently being sold on the market.

HESOP™ (Harmonic and Energy Saving Optimizer)

The goal of the HESOP™ programme is to develop a new generation of power substations based on technological breakthroughs able to increase the operating and environmental performances of these systems. It addresses all market segments. HESOP™ is a reversible substations: as opposed to a standard substations built around a diode bridge, the HESOP™ is designed based on an IGBT bridge (controlled transistors), which allows it to have this reversible feature. Additionally, regulating between sub-stations can optimise energy flows throughout the line. The first HESOP™ substations will be launched in 2014 in London.

APS™ (Ground-level Power Supply)

The APS™ is a proven power system intended to supply electricity to tramways at ground level, thereby eliminating the need to install intrusive overhead wires in historic city centres or in newer cities (Bordeaux, Reims, Tours, Angers, Dubai) in which there is a significant need to preserve the visual appearance of the location. The system was first deployed in Bordeaux (France) in 2007 and, as such, became the first operational catenary-free tramway line in the world.

Services

Asset management (associated with the activity of managing the train status and related data)

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's status. TRAINTRACER™ remotely monitors the health status of a fleet of trains and presents the key parameters of the fleet via a simple web interface. The efficiency of maintenance 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. This solution is installed in all of the Transport Sector's new trains.

Modernisation solutions

The Sector has developed solutions aimed at the aesthetic modernization and the mid-life cycle overhaul of trains by including, among other things, adaptations to new standards as well as major technical upgrades such as complete traction drives. The typical offer for the renovation of CITADIS™ at mid-life provides an overall service plan for operators of CITADIS™ fleets. The goal of train modernisation is to upgrade them, improve their operating efficiency, and resolve obsolescence issues.

Partsfolio™

Partsfolio™ is an R&D programme that supports the marketing strategy and sale of spare parts in the context of repairs and customer service for public transportation (tramways, metros, trains). It is an online sales platform used in all framework agreements for the supply of spare parts. Its use ensures the overall fluidity of the process of ordering spare parts, as well as a rapid and secure execution of contracts, thereby improving the quality of service offered to the customer.

Transport Information Solutions (TIS)

URBALIS Fluence™

The goal of the URBALIS Fluence™ programme is to develop a new generation of generic signalling systems for urban applications based on technological breakthroughs intended to improve operating reliability, flexibility and performance, and to reduce the costs of both application and development engineering. URBALIS Fluence™ offers the ability to combine the typically separate interlocking and automated control functions of the train in a single control system installed onboard the train. The main advantages of this development are a higher transportation capacity, improved operational availability, and reduced costs throughout the life cycle (LCC, or "Life Cycle Cost"). *Lille Métropole Communauté Urbaine* (France) chose URBALIS Fluence™ for its Line 1, the delivery of which is planned for 2015.

Smartlock™ 400GP

The goal of the generic product known as Smartlock™ 400 is to drive the convergence of various types of interlocking mechanisms in order to devise a single interlocking architecture that must be integrated in generic applications (systems) and specific applications (solutions). This development includes interlocking functions such as the central vital cubicle, trackside equipment with I/O interface, the diagnostic, maintenance, and support functions, juridical recorder, compilation tools, application and simulation engineering tools, as well as the testing tools. The programme began in 2010 and the solution will be launched for the first time in Turkey in 2014.

Research and development partnerships


Lastly, the Sector is a significant player in the domain of innovative partnerships.

The Transport Sector and the *Régie Autonome des Transports Parisiens* (RATP) have decided to combine their resources and create a common entity under the name "Metrolab", in order to carry out research and development initiatives associated with the "Metro of the Future" project.

2

MANAGEMENT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS – FISCAL YEAR 2013/14

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MAIN EVENTS OF FISCAL YEAR 2013/14

ORGANIC GROWTH OF SALES AND RESILIENT OPERATING MARGIN

During fiscal year 2013/14, Alstom's order intake decreased by 6% on an organic basis at €21.5 billion. Thermal Power's orders went down by 2% on an organic basis, at €9.0 billion. Despite tough market conditions, the Sector booked 11 gas turbines in Iraq, Germany and Chile as well as several service contracts for gas-fired power plants in the United States of America and in the United Kingdom. In the Steam business, major contracts were awarded in Poland, Saudi Arabia and India. Renewable Power achieved a strong commercial performance, as the Sector's orders received rose by 40% on a comparable basis at €2.6 billion, with large orders of wind turbines for Brazil and Mexico and a rebound of Hydro bookings with orders in India, Brazil, Albania and Canada. Grid recorded €3.5 billion of orders, 26% below last year on an organic basis, when two large High Voltage Direct Current (HVDC) contracts had been awarded in Germany and in India. With a major contract in Saudi Arabia for three metro lines and several other important orders booked in France and in Canada, Transport's order intake reached €6.4 billion, a sustained level although in decrease of 9% on an organic basis compared to last year. The Sector had commercial successes in emerging countries with several contracts signed in Brazil, Chile and Argentina.

The depreciation of the currencies of some emerging countries against euro, mainly the Brazilian Real, the South African Rand and the Indian Rupee, impacted the backlog negatively by €2.3 billion compared to the backlog on 31 March 2013. As a result, Alstom's backlog slightly came down from €52.9 billion last year to €51.5 billion, which represents 30 months of sales.

On an organic basis, consolidated sales increased by 4% at €20.3 billion. Transport growth (+9%) was supported by its strong backlog. Renewable Power recorded a solid growth of its sales (+9%) thanks to orders

received during the year as well as Grid (+6%) including the HVDC contracts under execution. Sales in Thermal Power remained stable on a comparable basis.

The income from operations reached €1,424 million, compared to €1,463 million in fiscal year 2012/13, with an operating margin of 7.0% for fiscal year 2013/14 versus 7.2% last fiscal year.

With higher financial expenses, increased restructuring charges and some specific impairment charges and provisions, the Net profit (Group share) reached €556 million in fiscal year 2013/14, compared to €768 ⁽¹⁾ million last year.

The Group free cash flow was negative at €(171) million compared to a positive free cash flow of €408 million during fiscal year 2012/13. After a negative free cash flow of €(511) million in the first semester, the Group generated a positive free cash flow of €340 million in the second half of the fiscal year.

In July 2013, Alstom issued a new bond for an amount of €500 million under its Euro Medium Term Note Programme listed in Luxembourg. It bears an annual coupon of 3% and will mature in July 2019.

The negative free cash flow, the payment of the dividend for €268 million and a net cash outflow of €88 million resulting from acquisitions and disposals were the main drivers underlying the increase of the Group's net financial debt at €3,019 million on 31 March 2014 compared to €2,342 million on 31 March 2013.

At the end of March 2014, Alstom had a cash and cash equivalent position of €2,320 million, as well as an undrawn available credit line of €1,350 million.

SUPPORT TO THE GROUP'S DEVELOPMENT

Research & Development

During fiscal year 2013/14, the Group spent €815 million in research and development in order to foster innovation in high-growth markets and to renew and extend its existing range of products. Last fiscal year, expenses amounted to €794 million.

Thermal Power

Thermal Power continued its programme for the upgrades and development of its gas turbines including the extension of the existing test facility in Cologne, Germany. New functionalities developed are aimed at further increasing its capability for combustor testing to reduce significantly exhaust gas emissions from advanced gas turbines.

(1) Figures have been adjusted following the application of IAS 19 revised.

The Sector also launched its Advanced Circulating Fluidised Bed boiler which provides the fuel range flexibility of the CFB at the larger output of up to 660 MW and reduced operating costs through increased efficiency and reduced CO₂ footprint.

Renewable Power

In December 2013, Renewable Power completed the installation of the HALIADE™ 150-6 MW, its new-generation offshore wind turbine at the Belwind site in Belgium. This is now the largest offshore wind turbine ever installed in sea waters. A few months before, the prototype commissioned at Le Carnet site in France had successfully obtained the International Electrotechnical Commission (IEC) power performance measurement, confirming its technical specifications. The extension of the wind onshore range of products was also a focus with the prototype of the latest ECO 122-2.7 MW successfully installed in the Netherlands. This wind turbine, tailored for Class III lower wind conditions, will broaden the range of solutions which now addresses all classes of winds based on three dimensions of blades, fixed on a common ECO 100 platform.

Renewable Power also continued the improvement of its tidal turbine. The full-scale tidal device installed in Scotland in January 2013 has injected over 100 MWh of electricity into the grid. This important milestone reached will reinforce the customers' confidence in the endurance of the machine and in its reliability.

Grid

Grid kept on focusing its R&D investments in the fields of Super Grid and Smart Grid through further development of High Voltage Direct Current (HVDC) and digital substation technologies.

Grid has successfully completed tests on its high-voltage DC circuit-breaker prototype. The latest series of tests consisted of reproducing real operational constraints of a high-voltage DC transmission grid. These tests mark the final stages of work headed by RTE ⁽¹⁾ for the operation and protection of DC grids in Europe's TWENTIES research project, co-funded by the European Commission's FP7 programme. This work contributes to the development and implementation of new technologies, facilitating the integration of renewable energy into Europe's electric power grid.

Smart Grids are today leading to the emergence of a new concept in sustainable urban environments known as «Smart Cities». The Nice Grid initiative in France is Europe's first smart solar district demonstration project. Partnered by Alstom, it prefigures this new urban model. To ensure a stable and reliable power supply, Smart Grid technologies are used as a means of interconnecting resources and optimising the performance of their networks.

Grid has launched MaxSine™ eStorage, a battery energy storage solution (BESS) that will enable energy storage along the grid. This solution will increase energy efficiency and balance energy flow in real-time, based on consumer demand. MaxSine™ eStorage addresses the instabilities on the electrical grid created by intermittent sources of renewable energy, such as wind and solar.

The inauguration of Alstom Smart Grid Centre in Dubai is a cornerstone of the Group's commitment to the development of the Smart Grid in the United Arab Emirates and in the Middle East region. As Smart Grid technologies are integrated into existing infrastructure, customers in the region will benefit from the centre's close links to Alstom's state-of-the-art Smart Grid Centres in France and USA, using tools and processes with the latest technologies, and ongoing support from Alstom experts worldwide – in real-time.

Transport

In May 2013, Transport presented two major innovations:

- Axonis™, a fully integrated metro system available in a record time at an optimised cost and able to carry up to 45,000 passengers per hour and per direction. This solution was perfectly designed for fast-growing and densely populated cities;
- Urbalis™ Fluence, the first signalling solution to be vehicle-centric. Enabling shorter headways between trains, the system, available for metro lines, metro-trams and automated light transit systems increases transport capacity and decreases network saturation.

Transport also focused on the development of reversible substations for metro and suburban train lines. Already existing for tram systems, HESOP™ will enable optimisation of energy consumption from the power grid and recovery of the energy generated under braking.

In November 2013, the Sector unveiled its first CITADIS™ Compact tramway on its manufacturing site at La Rochelle in France. This first order is booked with the Aubagne municipality, near Marseille.

In September 2013, Transport and its Russian partner Transmashholding (TMH) presented their new generation of freight locomotives, the 2ES5 for the Russian market and the KZ8A intended to Kazakhstan and produced at the Electrovoz Kurastyru Zauyty (EKZ) manufacturing site, a joint venture between Kazakh Railways (KTZ), Alstom and TMH. Designed to run in extreme weather conditions, these locomotives are among the most powerful locomotives in the world. The two partners also signed an agreement for the development of the first Russian dual-voltage freight locomotive called 2ES20. This new high performing locomotive will enhance freight operations in the country.

Finally, in March 2014, the CORADIA™ Regiolis trains received the homologation for commercial service. Transport signed in October 2009 a frame contract of 1,000 units with SNCF and French regions (of which 216 are firm).

Investments

During fiscal year 2013/14, Alstom had a €565 million capital expenditure (excluding capitalised development costs) to strengthen its presence in growing markets and modernise its existing production facilities across the world.

Thermal Power inaugurated in Saudi Arabia its Rabigh Thermal Services workshop. This new facility will be able to offer a faster and more flexible repair service for structural parts of gas turbines.

(1) RTE: "Réseau de Transport d'Électricité", French electricity transmission system operator.

The Sector also planned to further extend the range of services to other components and to infrastructure work.

In Vietnam, Thermal Services proceeded with the investment in its Phu My site to complement its blade reconditioning footprint.

In India, the Sanand manufacturing facility is under construction and is progressing as per plan; it should be completed by December 2014. Sanand plant will assemble steam turbines and generator modules for the Indian market.

Renewable Power made large investments in new technologies and in geographical markets currently experiencing strong growth such as Brazil (Hydro and Wind) and China (Hydro). Two thirds of the capital expenditure was related to the Wind business.

In Brazil, Renewable Power inaugurated in August 2013 its first wind tower factory in Latin America. This new site located in Canoas will complement the existing Bahia facility which is already producing wind nacelles. With a production capacity of 120 steel towers per year (representing approximately a capacity of 350 MW) this factory aims at supplying the growing wind market of Latin America, particularly in the South of Brazil.

In China, Alstom relocated and inaugurated a brand-new production site in Tianjin. This facility is now Alstom's largest hydropower industrial site. The site also hosts a Hydro Global Technology Centre (GTC) and will be able to deliver up to 26 turbine and generator units of up to 1,000 MW each per year.

Grid adapted its capacity in India for the HVDC market to consolidate its leading position in the 800 kV network Indian market. Grid also reinforced its HVDC platform in the United Kingdom where the Sector has established its worldwide HVDC Competence Centre. The start of the VSC modules and sub-modules production lines also strengthened Grid "Know-How" and capacity on High Voltage segment.

During fiscal year 2013/14, Transport made several large investments in order to strengthen its activities in growing markets while modernizing its existing facilities in developed countries.

Firstly, the Sector increased its presence in Russia with a new production site built in collaboration with its Russian partner Transmashholding (TMH). This new facility located in Novocherkassk, near Rostov, will be dedicated to asynchronous traction drives for electric locomotives jointly developed and manufactured by Alstom and TMH such as the EP20, the 2ES5 and the KZ8A.

In January 2014, Transport announced the installation of its first tramway manufacturing line in South America. The new site, located on Alstom's existing hydro facility in Brazil, will address the booming Brazilian and Latin American tramway markets, starting with the 32 CITADIS™ tramways ordered for the Rio de Janeiro city.

In Canada, Transport started its new bogie manufacturing plant located in Sorel-Tracy. This facility will assemble more than 900 bogies for the supply of new metro cars.

In France, the Sector opened a new delivery centre for very high-speed Euroduplex trains on its Belfort site. The new plant is equipped with a 200 metres long inspection pit, which enables the commissioning engineers to work beneath the train, to inspect the running gear and brakes and to carry out roof operations on the whole length of the train.

Acquisitions, disposals and partnerships

During fiscal year 2013/14, Alstom developed its position in fast growing markets and expanded its network with focused acquisitions and partnerships and announced in November 2013 the implementation of an asset disposal programme.

Thermal Power

Thermal Power strengthened its position in emerging markets through several partnerships.

In China, the Sector signed a long term agreement with Harbin Turbine Corporation (HTC) to license its GT13™E2 gas turbine for manufacture, assembly and sales in China. The two partners will establish a service joint venture to address the aftermarket needs of Chinese customers for these machines. Thermal Power also signed a cooperation agreement with China's Dongfang Electric (DEC) for the supply of turbine and generator packages for future Chinese AP 1000 nuclear projects.

To reinforce its presence in the Middle East, the Sector set up a joint venture with Arabian Bemco in order to build a manufacturing facility in Saudi Arabia dedicated to power generation components, primarily heat recovery steam generators (HRSGs). This new world-class manufacturing facility will complement the thermal services workshop inaugurated this year in Rabigh.

Finally, on 1 April 2014, Alstom agreed to sell its auxiliary components business, part of the Steam segment, for an Enterprise Value of around €730 million. The sale of this non-core asset is part of the disposal programme announced by Alstom in November 2013. The transaction is expected to close before the end of first half of fiscal year 2014/15, and is not affected by the post-closing events (see below – Post-closing events).

Renewable Power

In the Hydropower business, the Sector signed an agreement with the Japanese company Daido Metal for the supply of advanced coatings for the bearing pads used in hydroelectric plants.

In July, the Hydro business completed the sale of its ring motors activities in order to focus on core activities.

Concerning the Wind business, Renewable Power strengthened further its alliance with EDF-EN and WPD Offshore through the signing of a partnership agreement with the view to address the French government's second call for tender for the supply of wind turbines. In order to strengthen its offshore wind offer, Renewable Power signed an agreement with STX France for the supply of transition parts used to affix the wind turbine to its foundations and especially designed to meet the technical requirements of the HALIADE™ 150. The Sector also announced a global partnership with Freyssinet in order to provide higher concrete towers for its ECO 122 wind turbine, designed to serve less windy sites.

As for the New Energies business, an agreement was signed with Soitec in order to jointly bid in a call for tender issued by the French Energy Regulation Commission for the delivery of concentrated photovoltaic power plants. Finally, the Sector announced its cooperation with GDF Suez and Ports Normands Associés (PNA) to perform various engineering studies and equip the Raz Blanchard tidal power pilot farm launched in France in October 2013.

Grid

In order to strengthen its activities in emerging markets, Grid acquired two Brazilian companies. The first one, Engeman Serviços e Manutenção is a specialist in medium and high voltage electrical devices and a regional reference in field service delivery whereas Brazilian Reason Tecnologia S.A, provider of measurement and substation automation products for transmission and distribution customers, will allow the Sector to expand its digital substation offering.

Grid also signed a Long Term Strategic Partnership Agreement with Eaton Corporation to leverage opportunities for industrial and distribution utilities projects or turnkey solutions involving high, medium and low voltage with a specific focus on Americas, Middle-East and Africa.

Finally, the Sector set up two Joint-Ventures, one with Soyuz Holding (Russia) to locally manufacture high voltage switchgears, and another with KEPCO in order to get a privileged access to the Korean HVDC market.

Transport

During fiscal year 2013/14, Transport entered into partnerships for the development and the adaptation of its CITADIS™ tramways to new markets. In June 2013, Transport signed two agreements, the first one with Japan Transport Engineering Company (J-TREC) in order to jointly assess the opportunities to modernise and develop the tramway network in Japan. The second agreement was signed by TramRus, a Transport's Russian joint-venture, with City Transport Group, a subsidiary of Ukrainian bus manufacturer LAZ Group in order to produce modern high speed tramways for the Ukrainian market, based on a winterised version of the CITADIS™.

In December 2013, Transport formed a joint venture with Babcock and Costain (ABC Electrification) to enhance its position in the railway infrastructure market in the United Kingdom. In February 2014, ABC was appointed by Network Rail as one of four suppliers to deliver a major electrification programme. The joint venture has been awarded two out of the six areas within the programme.

The Group announced in November 2013 that it was considering the sale of a minority stake in Alstom Transport. This process has been put on hold in view of the post-closing events (see below- Post-closing events).

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CORPORATE RESPONSIBILITY

Corporate Social Responsibility (CSR) initiatives

In December 2013, Alstom published a document defining clearly its CSR policy. This document, endorsed by the CEO and widely communicated internally, is giving the frame of CSR actions inside the Group.

Over fiscal year 2013/14, the Country CSR action plans have been developed up to cover more than 15 large countries⁽¹⁾ enabling to structure all actions in favour of local communities, often with the support of volunteers among Alstom employees.

Alstom has also supported communication on CSR with the completion of ten educational short films on sustainable development topics for external and internal audiences, as well as a monthly newsletter widely communicated internally.

Environment, Health and Safety (EHS)

In 2013/14, Alstom succeeded in targeting as planned the objective to reduce the environmental footprint of its operations. Energy and water consumption were in line with the targets, as all other objectives with the exception of SF₆ emission. In addition, 100% of Alstom manufacturing sites over 200 employees are now certified ISO 14001.

About occupational safety, the Alstom Zero Deviation Plan (AZDP) remains the "keystone" of Alstom actions throughout all Sectors and countries. This programme targets high-risk activities and the protection of employees and contractors worldwide from the possible risks of working in an Alstom workshop, factory, test facility and/or construction site. During the year, two new directives were added to cover two additional high-risk activities. A new audit campaign covered 169 sites with a significant improvement on compliance with Alstom Safety Directives. As a consequence, the number of accidents has drastically reduced: the injury frequency rate⁽²⁾ has decreased from 1.4 to 1.2 in 12 months, in line with the objective of reaching 1.0 at the end of fiscal year 2015/16.

(1) With more than 1,000 employees.

(2) Number of accidents with time lost to injury per million hours worked.

DEDICATED TO EXCELLENCE

Alstom decided to launch in November 2013 a Group-wide cost competitiveness plan called Dedicated to Excellence or «d2e» to reinforce its competitive position and address pricing pressure in some markets. This plan targets a €1.5 billion cost reduction in April 2016 *versus* the 2012/13 cost base. The performance plan focuses on four main costs categories: direct sourcing, manufacturing efficiency, industrial footprint and non-production overhead costs.

At the end fiscal year 2013/14, approximately one-third of the overall cost reduction objective has been completed through the implementation of specific action plans in all Sectors and the promotion of best-practice sharing within the Group. The Group intends to enhance its plan and raise its April 2016 cost savings target through a number of actions, notably additional restructuring plans in Thermal Power.

GENERAL COMMENTS ON ACTIVITY AND RESULTS

CONSOLIDATED KEY FINANCIAL FIGURES

The following table sets out the Group's key performance indicators for 2013/14.

<i>(in € million)</i>	Year ended 31 March 2014	Year ended 31 March 2013 ^(*)	% Variation March 2014/March 2013	
			Actual	Organic
Order Backlog	51,458	52,875	- 3%	2%
Orders Received	21,498	23,770	- 10%	- 6%
Sales	20,269	20,269	0%	4%
Income from operations	1,424	1,463	- 3%	1%
Operating Margin	7.0%	7.2%		
EBIT	1,008	1,189	- 15%	
Net Profit – Group share	556	768	- 28%	
Free Cash Flow	(171)	408		
Capital Employed	8,161	7,651		
Net Cash/(Debt)	(3,019)	(2,342)		
Headcount	93,002	92,906	0%	

(*) Figures have been adjusted following the application of IAS 19 revised.

KEY GEOGRAPHICAL FIGURES

Total Group	Year ended 31 March 2014						
	Western Europe	Eastern Europe	North America	South and Central America	Asia/Pacific	Middle East/Africa	Total
Actual figures <i>(in € million, except for Headcount)</i>							
Orders Received	5,341	2,455	3,238	2,749	3,196	4,519	21,498
% of contrib.	25%	11%	15%	13%	15%	21%	100%
Sales	6,603	2,178	2,417	1,524	4,281	3,266	20,269
% of contrib.	32%	11%	12%	8%	21%	16%	100%
Headcount	46,182	7,988	10,732	6,100	18,790	3,210	93,002
% of contrib.	50%	9%	12%	6%	20%	3%	100%

Total Group	Year ended 31 March 2013						
	Western Europe	Eastern Europe	North America	South and Central America	Asia/Pacific	Middle East/Africa	Total
Actual figures <i>(in € million, except for Headcount)</i>							
Orders Received	8,512	973	3,271	2,550	4,474	3,990	23,770
% of contrib.	36%	4%	14%	10%	19%	17%	100%
Sales	6,571	1,953	2,583	1,561	4,478	3,123	20,269
% of contrib.	32%	10%	13%	8%	22%	15%	100%
Headcount	46,264	7,987	10,180	5,789	19,569	3,117	92,906
% of contrib.	50%	9%	11%	6%	21%	3%	100%

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OUTLOOK

Alstom has been affected by lower orders for new build in Thermal Power due to persisting difficult market conditions. Visibility remains low and the timing of the economic recovery uncertain. In January 2014, the Group had indicated that this environment would continue to

weigh on its operating performance in 2014/15 and that it anticipated a slight decline of its operating margin. In view of the post-closing events mentioned below which are likely to impact its operations, the Group is not able to confirm these forecasts.

POST-CLOSING EVENTS

On April 30th, 2014, the Board of Directors of Alstom announced that it received a binding offer from General Electric (GE) to acquire its Energy activities. The scope of the transaction includes the Thermal Power, Renewable Power and Grid Sectors, as well as corporate and shared services. These businesses registered €14.4 billion in sales in fiscal year 2013/14. The proposed price is a fixed price representing an Equity Value of €12.35 billion and an Enterprise Value of €11.4 billion.

Should this offer be approved and completed, Alstom would refocus on its Transport activities. Alstom should use the sale proceeds to strengthen its Transport business, pay down its debt and return cash to its shareholders.

The Board of Directors acknowledging unanimously the strategic and industrial merits of this offer, will take a month to review this offer. It has set up to this aim a committee of independent directors led by Jean-Martin Folz, and comprised of Messrs Gérard Hauser, Jim Leng, Chairman of the nominations and remuneration committee, and Alan Thomson, Chairman of the Audit committee. This Committee appointed a financial expert and a legal advisor. Should the Board conclude positively,

the information and consultation of Alstom employees' representatives bodies will be conducted before entering into a definitive agreement. Completion of the transaction would be subject to merger control and other regulatory clearances. In accordance with AFEP-Medef code, the final approval of the transaction will be submitted to the shareholders. Bouygues, a 29% shareholder of Alstom, has committed not to sell its shares until this approval and has indicated that it will support the recommendation of the Alstom Board of Directors.

In the context of this binding offer, Alstom may not solicit offers from third parties for the acquisition of all or part of its Energy business. It has however reserved the right to consider unsolicited offers for its entire Energy business that could lead to a superior offer for Alstom. If, after having recommended the GE's offer, the Board of Directors were to support another transaction, Alstom would owe GE a break-up fee equal to 1.5% of the purchase price.

The Board also review a declaration of interest received from Siemens, regarding an alternative transaction.

SECTOR ANALYSIS

THERMAL POWER

Thermal Power covers new power plants and equipment, retrofit, automation & control and service activities globally for gas, steam and nuclear power generation applications.

The following table presents the key performance indicators for Thermal Power:

Thermal Power Actual figures (in € million)	Year ended 31 March 2014	Year ended 31 March 2013	% Variation March 2014/March 2013	
			Actual	Organic
Order backlog	17,904	19,151	- 7%	- 2%
Orders received	9,017	9,574	- 6%	- 2%
Sales	8,787	9,179	- 4%	0%
Income from operations	930	959	- 3%	0%
Operating margin	10.6%	10.4%		
EBIT(*)	854	917	- 7%	
Capital employed	2,774	2,264		

(*) Figures have been adjusted following the application of IAS 19 revised.

Orders received

During fiscal year 2013/14, Thermal Power recorded €9,017 million of orders received, a decrease of 2% *versus* last year on a comparable basis. The Gas business sold 11 gas turbines in fiscal year 2013/14: four GT26™ and four GT13™E2 gas turbines were awarded in Iraq, two GT13™E2 were booked in Chile, and a turnkey contract was signed in Germany for the construction of a combined-cycle heat and power plant equipped with a GT26™ gas turbine. Increasing the proximity with its customers and strengthening its product portfolio, Thermal Services delivered another solid commercial performance. Main contracts

included several long-term service agreements as well as upgrading packages in the United States of America, the United Kingdom, South Africa and Mexico. In the Steam business, Thermal Power booked a major contract for the supply of two units to a new ultra-supercritical coal-fired power plant in Poland, including two boilers and two steam turbines. The Sector was also awarded with two other large contracts for the supply of four steam turbines and generators with air quality control equipment in Saudi Arabia, two steam turbines for a coal power plant in China, as well as several contracts to supply nine supercritical boilers for coal power plants located in India. Nuclear business mainly supplied steam turbines and generators for a Chinese nuclear power plant.

Thermal Power Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	1,925	21%	1,758	18%	9%	11%
Eastern Europe	1,787	20%	483	5%	270%	283%
North America	1,886	21%	2,179	23%	- 13%	- 9%
South and Central America	232	3%	106	1%	119%	139%
Asia/Pacific	1,461	16%	2,361	25%	- 38%	- 34%
Middle East/Africa	1,726	19%	2,687	28%	- 36%	- 35%
ORDERS BY DESTINATION	9,017	100%	9,574	100%	- 6%	- 2%

In Western Europe, Thermal booked €1,925 million of orders including a major contract for the turnkey construction of a 450 MW combined-cycle heat and power plant equipped with a gas turbine GT26™ in Germany and the operation and maintenance of nine GT26™ gas turbines in the United Kingdom. With 21% of total orders received by Thermal Power, the region was the first commercial region of the Sector.

In Eastern Europe, order intake jumped from €483 million last year to €1,787 million in fiscal year 2013/14, thanks notably to a major contract signed in Poland for the construction of two 900 MW blocks at the Opole ultra-supercritical coal-fired power plant. The region represented this year 20% of total orders received by the Sector.

In North America, Thermal Power's orders received amounted to €1,886 million, decreasing by 9% compared to last year on a comparable basis. Major contracts belonged to Thermal Services with the renewal of several long-term service contracts for 16 gas turbines GT24™ in the United States of America and the operation and maintenance of GT24™ and GT11™ gas turbines in Mexico and Canada. For new build, the Steam business booked a contract for the supply of two 170 MW CFB Boilers in Mexico, and the Gas business signed a contract for the supply of a steam tail package for a combined cycle plant in the United States of America.

Thermal Power's orders received reached €232 million in fiscal year 2013/14 in South and Central America, mainly driven by a contract for

the supply of two GT13™E2 gas turbines for a combined-cycle power plant located in Chile and several Thermal Services orders.

In Asia/Pacific, Thermal Power recorded orders worth €1,461 million, significantly down compared to last year when the Sector booked the supply of components and services for five 660 MW supercritical boilers and two turbo-generator packages for nuclear plants in consortium with BHEL, a gas-fired combined-cycle power plant in Thailand and several contracts for five GT13™E2 gas turbines in China. This year again, several large contracts were booked in India to supply supercritical boilers dedicated to coal power plants across the country. The Sector also signed two contracts for the supply of steam turbines and generators for an AP1000 nuclear reactor power plant and a 2,000 MW coal power plant, both located in China.

Orders received in Middle East/Africa reached €1,726 million, down 35% compared to last year when the Sector booked two major contracts, one for a turnkey combined-cycle power plant and the associated service contract in Israel and the other for the supply of supercritical boilers, steam turbines and generators in Saudi Arabia. During fiscal year 2013/14, main contracts included two contracts for the supply and operation of four GT26™ and four GT13™E2 gas turbines in Iraq, an order for the delivery of four steam turbine generator sets and equipment in Saudi Arabia, the supply of the MXL2 upgrade package for a Gas Combined Cycle Power Plant located in the United Arab Emirates and the spare parts for a fleet of coal-fired power plants in South Africa.

Thermal Power Sector received the following major orders during 2013/14:

Country	Description
Germany	Turnkey combined-cycle heat and power plant with 1 GT26™ turbine
India	Supply 2 x 500 MW supercritical boilers for a coal-fired power plant
Iraq	Supply and operation of 4 GT26™ turbines
Iraq	Supply and operation of 4 GT13™E2 turbines
Poland	Supply 2 x 900 MW blocks to a ultra-supercritical (USC) coal-fired power plant
Saudi Arabia	Supply of 4 x 720 MW steam turbine generator sets
South Africa	Spare parts for a coal-fired power plant
United Kingdom	Operation and maintenance of nine GT26™ turbines
United States of America	Long term service contracts for four gas-fired power plants with 14 GT24™ turbines and one emission control project.

Sales

During fiscal year 2013/14, sales reached €8,787 million, stable on an organic basis compared to last year, as the decrease of sales coming from Europe was partially offset by a good performance in Middle East/Africa.

Thermal Power Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	1,876	21%	2,114	23%	- 11%	- 11%
Eastern Europe	1,015	12%	1,180	13%	- 14%	- 13%
North America	1,429	16%	1,467	16%	- 3%	2%
South and Central America	174	2%	179	2%	- 3%	2%
Asia/Pacific	2,402	27%	2,444	27%	- 2%	3%
Middle East/Africa	1,891	22%	1,795	19%	5%	15%
SALES BY DESTINATION	8,787	100%	9,179	100%	- 4%	0%

Despite the trading of a major contract for a gas-fired power station and several service contracts in the United Kingdom, sales in Western Europe decreased by 11% during fiscal year 2013/14, at €1,876 million. The completion of several important contracts in France and in the United Kingdom was partly offset by the ramp-up of large turnkey projects.

In Eastern Europe, Thermal Power sales reached €1,015 million, decreasing by 13% compared to 2012/13 on an organic basis. Main orders traded during the period included a steam power plant in Slovenia, equipment for a fossil fuel power plant in Estonia and service contracts in Russia.

Sales in North America increased by 2% on a comparable basis to reach €1,429 million. The main contracts traded were a steam project and three Heat Recovery Steam Generators (HRSGs) sold in the United States of America.

In South and Central America, Thermal Power sales amounted to €174 million in fiscal year 2013/14, stable compared to €179 million last year.

In Asia/Pacific, sales reached €2,402 million in 2013/14, up 3% *versus* the previous year on a comparable basis, representing 27% of the Sector's total sales. The region still benefited from the execution of contracts booked two years ago, notably coal-fired power plants in Malaysia, and of several contracts booked last year in India.

In Middle East/Africa, sales increased by 15% compared to last year on a comparable basis, reaching €1,891 million. Thanks to large contracts won last year in Israel and in Saudi Arabia, the region accounted this year for 22% of Thermal Power's sales.

Income from operations and operating margin

Thermal Power's income from operations reached €930 million compared to €959 million last year. The good project execution as well as the impact of the cost reduction programme enabled the Sector to post a sound level of operating margin of 10.6%, slightly up *versus* 10.4% last year.

RENEWABLE POWER

Renewable Power covers Hydro, Wind and New Energies businesses.

The following table presents the key performance indicators for Renewable Power:

Renewable Power Actual figures (in € million)	Year ended 31 March 2014	Year ended 31 March 2013	% Variation March 2014/March 2013	
			Actual	Organic
Order backlog	4,919	4,569	8%	22%
Orders received	2,565	2,029	26%	40%
Sales	1,829	1,803	1%	9%
Income from operations	82	88	- 7%	12%
Operating margin	4.5%	4.9%		
EBIT	2	(10)	N/A	
Capital employed	1,445	1,200		

Orders received

Orders received increased by 40% on an organic basis, at €2,565 million compared to €2,029 million last year. The increase was driven by several large orders in the Wind business for the delivery of wind turbines to Brazil and in new markets, such as Korea, Mexico and the Netherlands.

The total number of Wind turbines sold has exceeded 570 units compared to 370 units last year. Hydro Business confirmed a healthy performance, with a significant growth of service and retrofit volumes, and despite the absence of jumbo project. Several Hydro new build projects were booked notably in India, Brazil, Albania and Canada.

Renewable Power Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	266	10%	159	8%	67%	70%
Eastern Europe	203	8%	30	2%	577%	555%
North America	300	12%	131	6%	129%	142%
South and Central America	1,349	53%	1,283	63%	5%	22%
Asia/Pacific	268	10%	128	6%	109%	115%
Middle East/Africa	179	7%	298	15%	- 40%	- 39%
ORDERS BY DESTINATION	2,565	100%	2,029	100%	26%	40%

In Western Europe, orders received reached €266 million, representing an increase of 70% on a comparable basis compared to last fiscal year. Orders booked included small contracts in the Wind and Hydro businesses for new build and services.

In Eastern Europe, Renewable Power booked €203 million of orders in fiscal year 2013/14 versus €30 million last year, representing 8% of total orders received by Renewable Power. The Sector was awarded a contract to supply six Francis turbine-generator units and auxiliaries in Albania, as well as several contracts to deliver five Francis turbines, two Kaplan turbines and associated equipment in Turkey.

In North America, orders received reached €300 million during fiscal year 2013/14, more than twice their level of last year, and accounted for 12% of the total orders received by the Sector. In Canada, the Sector signed a contract for the delivery, installation and commissioning of two 220 MW vertical Francis turbine-generator units. In Mexico, Alstom was awarded the supply of 34 ECO 100 wind turbines at the new Sureste wind farm as well as a project to build a turnkey geothermal power plant with an installed capacity of 25 MW in the state of Puebla.

In South and Central America, the Sector booked orders worth €1,349 million in 2013/14, an increase of 22% compared to last year on an organic basis, and accounted for 53% of the total orders received by the Sector. In Brazil, during fiscal year 2013/14, the Sector booked another phase of the Renova Framework agreement signed last year and an important contract to deliver, erect and commission ECO 122 wind turbines for two large wind farms located in the Northeast of the country. In the Hydro business, Renewable Power booked several contracts to supply additional equipment to different hydropower plants also located in Brazil.

In Asia/Pacific, orders received soared from €128 million last year to €268 million, becoming the third largest region in terms of commercial activity with 10% of the Sector's total order intake. The Hydro business booked a large contract for the supply of five Francis turbines for the new hydro power plant in India. The Wind business booked an important order for the installation and commissioning of 29 ECO 74 wind turbines in the Hamada Wind Farm located in Japan.

In Middle East/Africa, orders received reached €179 million, representing 7% of Renewable Power total order intake. The Sector will supply equipment for Israel's first pumped storage power station in Gilboa.

Alstom also signed several hydro contracts to equip a hydropower plant with three 90 MW Francis turbine-generator sets in Ivory Coast and a service agreement in the Democratic Republic of Congo.

The Renewable Power Sector received the following major orders during 2013/14:

Country	Description
Albania	6 Francis turbine-generator units and auxiliaries
Brazil	Supply, operation and maintenance of 21 ECO 100, 26 ECO 110 and 32 ECO 122 wind turbines
Brazil	Supply, operation and maintenance of ECO 122 wind turbines
Brazil	Equipment for two hydro-power plants
Canada	2 x 220 MW vertical Francis turbine-generator units with butterfly valves and regulation system for a new hydro power plant
India	4 Francis hydro turbines of 205 MW and 1 Francis turbine of 30 MW for a new hydro power plant
Israel	Supply equipment for a pumped storage power station
Mexico	Supply of 34 ECO 100 wind turbines

Sales

Renewable Power sales increased by 9% on an organic basis at €1,829 million during fiscal year 2013/14 compared to €1,803 million for the last fiscal year. The Sector's sales were mainly driven by the on-going completion of hydro projects in Brazil and Switzerland and the execution of Wind projects in Brazil and in Mexico.

Renewable Power Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	332	18%	264	15%	26%	27%
Eastern Europe	114	6%	124	7%	- 8%	- 7%
North America	313	17%	288	16%	9%	16%
South and Central America	656	36%	575	32%	14%	34%
Asia/Pacific	312	17%	362	20%	- 14%	- 10%
Middle East/Africa	102	6%	190	10%	- 46%	- 45%
SALES BY DESTINATION	1,829	100%	1,803	100%	1%	9%

In Western Europe, sales increased by 27% on an organic basis to reach €332 million, mainly driven by major milestones reached on two Hydro pump storage projects executed in Switzerland.

Sales in Eastern Europe reached €114 million, 7% below last year level on an organic basis, despite the delivery of hydropower equipment in Turkey.

Sales in North America amounted to €313 million, *versus* €288 million last year, thanks to the execution of several Hydro projects in Canada and in the USA.

Sales traded in South and Central America represented 36% of total sales at €656 million. The region's sales were driven by both Wind and Hydro projects booked the previous years but also by the quick execution of Wind projects ordered during the current year in Mexico.

In Asia/Pacific, sales reached €312 million, 10% below the level of last fiscal year on an organic basis despite the delivery of Hydro projects in India and in China.

In Middle East/Africa, the completion of a large Wind contract signed in Morocco caused a decrease of 45% on an organic basis in the region's sales, which amounted to €102 million, compared to €190 million during the previous year. However, the Sector started to trade a large Hydro project won last year in Ethiopia.

Income from operations and operating margin

Renewable Power's income from operations decreased by 7% at €82 million *versus* €88 million for last year. The change of the mix between the three businesses had a slight negative impact on operating margin rate which went from 4.9% to 4.5%.

GRID

The following table presents the key performance indicators of Grid Sector for the fiscal year 2013/14:

Grid Actual figures (in € million)	Year ended 31 March 2014	Year ended 31 March 2013	% Variation March 2014/March 2013	
			Actual	Organic
Order backlog	5,470	6,190	- 12%	- 5%
Orders received	3,514	5,058	- 31%	- 26%
Sales	3,777	3,829	- 1%	6%
Income from operations	211	238	- 11%	- 8%
Operating margin	5.6%	6.2%		
EBIT	169	140	21%	
Capital employed	2,100	2,182		

Orders received

During the year 2013/14, the Grid market slowed down, as a difficult economical context led to some delays in investment decisions.

In this context, Grid maintained a sound commercial performance with a good flow of small and mid-sized orders. The Sector's order

intake decreased by 26% on an organic basis, from €5,058 million to €3,514 million, which included the booking during the fiscal year 2012/13 of two large High Voltage Direct Current (HVDC) projects in India (Champa) and Germany (Dolwin 3) for a total of €1.4 billion. Excluding HVDC, the Alternative Current (AC) business was resilient.

Grid Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	559	16%	1,652	33%	- 66%	- 66%
Eastern Europe	353	10%	311	6%	14%	18%
North America	389	11%	418	8%	- 7%	- 2%
South and Central America	372	11%	332	7%	12%	26%
Asia/Pacific	932	26%	1,584	31%	- 41%	- 34%
Middle East/Africa	909	26%	761	15%	19%	23%
ORDERS BY DESTINATION	3,514	100%	5,058	100%	- 31%	- 26%

In Western Europe, orders reached €559 million, 16% of the Sector's orders received in 2013/14 and 66% below last year's figures. The booking for €1.1 billion of the large HVDC project Dolwin 3 had significantly impacted fiscal year 2012/13. France, Germany and the United Kingdom remained the main contributors.

In Eastern Europe, orders reached €353 million (10% of the total orders), 18% higher on an organic basis than in fiscal year 2012/13. The market was positively impacted by a switchgear project in Kazakhstan.

Orders received in North America amounted to €389 million, representing 11% of the total order intake, flat on an organic basis. The reduction in Canada on the Power Electronic activity has been partly compensated by an activity increase in the United States of America for turnkey projects.

South and Central America, with orders received amounting to €372 million, represented 11% of the Sector's orders received. Orders were boosted this fiscal year by a turnkey project of 17 substations 230 kV for transmission lines in Brazil.

The Asia/Pacific region showed a strong order intake at €932 million, 26% of Grid orders received. This represented a 34% organic decrease compared to last year, which was boosted by the award of the Champa-Kurukshetra HVDC project in India.

In Middle East/Africa, Grid booked orders for €909 million (26% of yearly order intake), 23% higher than fiscal year 2012/13 on a comparable basis. In particular, several large and mid-sized turnkey projects were awarded in Saudi Arabia. The market benefited from continuous investments made in infrastructure.

The Grid Sector received the following major orders during fiscal year 2013/14:

Country	Description
Brazil	Construction of 17 substations 230 kV for transmission line extension
Saudi Arabia	Construction of 4 substations/reinforcement of 3 substations
Saudi Arabia	3 turnkeys 110 kV/13.89 kV
Saudi Arabia	Construction of 2 substations 132 kV/reinforcement of 2 substations
Kazakhstan	110 kV Gas-insulated Switchgear project for substation extension
Iraq	Construction of 4 substations 132 kV
Qatar	Power transformers and automation system delivery
India	Automation and Network management system delivery

Sales

Grid sales reached €3,777 million during fiscal year 2013/14. On an organic basis, the volume of sales traded increased by 6%, boosted by progress made on large HVDC projects booked in the last two financial years.

Grid Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	929	25%	657	17%	41%	43%
Eastern Europe	314	8%	388	10%	- 19%	- 17%
North America	367	10%	470	12%	- 22%	- 18%
South and Central America	319	8%	408	11%	- 22%	- 13%
Asia/Pacific	1,005	27%	1,150	30%	- 13%	1%
Middle East/Africa	843	22%	756	20%	12%	15%
SALES BY DESTINATION	3,777	100%	3,829	100%	- 1%	6%

In Western Europe, Grid sales amounted to €929 million, a 43% increase on an organic basis compared to last year, and accounted for 25% of the Sector's total sales. Main contracts traded included HVDC substations for wind power generation in Germany (Dolwin 3) and an onshore HVDC connection in Sweden (South West Link).

Grid recorded sales at €314 million in Eastern Europe during fiscal year 2013/14, a 17% organic decrease compared to the previous exercise, mainly due to the slowdown of the Russian market.

Sales in North America amounted to €367 million, a decrease of 18% on a comparable basis, compared to fiscal year 2012/13, driven by a reduction of volumes on the Mexican market and in Air Insulated Systems in the United States of America.

Sales in South and Central America reached €319 million, a 13% decrease on an organic basis compared to last year which was driven by the Rio Madeira HVDC contract.

During fiscal year 2013/14, Grid sales in Asia/Pacific amounted to €1,005 million representing 27% of the Sector's total sales traded and increasing by 1% on an organic basis compared to fiscal year 2012/13, supported notably by the start of the Champa-Kurukshetra HVDC project in India.

In Middle East/Africa, sales increased by 15% on an organic basis, at €843 million, accounting for 22% of Grid's total sales. The activity was mainly supported by the execution of projects in Iraq, Saudi Arabia, Libya and in the United Arab Emirates.

Income from operations and operating margin

Grid's income from operations reached €211 million *versus* €238 million last year. Operating margin was at 5.6%, below last year level of 6.2%, penalized by the trading of some low margin conventional products. Nonetheless, efforts made on costs through the d2e programme allowed compensating for most of the market price erosion.

TRANSPORT

The following table presents key performance indicators for Transport.

Transport Actual figures (in € million)	Year ended 31 March 2014	Year ended 31 March 2013	% Variation March 2014/March 2013	
			Actual	Organic
Order backlog	23,165	22,965	1%	3%
Orders received	6,402	7,109	- 10%	- 9%
Sales	5,876	5,458	8%	9%
Income from operations	330	297	11%	12%
Operating margin	5.6%	5.4%		
EBIT	252	287	- 12%	
Capital Employed	1,881	1,924		

Orders received

During fiscal year 2013/14, orders received by Transport stood at €6,402 million, with a 1.1 book-to-bill ratio, a decrease of 9% on an organic basis compared to 2012/13. During the previous year, the Sector registered a remarkable performance thanks notably to metros and suburban trainsets contracts awarded in France and to a record high level of orders for regional trains, mainly booked in Sweden and Italia.

In fiscal year 2013/14, Transport also recorded several large contracts such as the metro project in Riyadh, Saudi Arabia, very high speed and regional trains in France and the maintenance of light rail vehicles in Canada. The Sector confirmed its commercial presence in emerging countries with tramway system and maintenance sold in Brazil, metro cars booked in Argentina and large metro modernisation awarded in Chile.

Transport Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	2,591	41%	4,943	70%	- 48%	- 47%
Eastern Europe	112	2%	149	2%	- 25%	- 21%
North America	663	10%	543	7%	22%	30%
South and Central America	796	12%	829	12%	- 4%	2%
Asia/Pacific	535	8%	401	6%	33%	36%
Middle East/Africa	1,705	27%	244	3%	599%	602%
ORDERS BY DESTINATION	6,402	100%	7,109	100%	- 10%	- 9%

In Western Europe, order intake reached €2,591 million during fiscal year 2013/14, 47% under last year's level on a comparable basis, which had been driven by a major contract for suburban trainsets in France and several large orders for CORADIA™ regional trains in Germany, Italy and Sweden. During fiscal year 2013/14, the Sector was awarded several contracts in France for intercity trains, regional trains and tramways. SNCF also confirmed its option for ten additional double-decker very high speed trains corresponding to a contract signed in 2007. In the United Kingdom, Transport signed a major contract for the delivery of a rail infrastructure under London. In Germany, the Sector confirmed the commercial success of the two previous years with additional contracts for CORADIA™ regional trains, among which a large order for 29 CORADIA™ Continental electrical trains including the maintenance and a purchase option for up to 23 additional trains. In Italy, major orders included the overhaul of Minuetto regional trains, the supply of signalling systems in order to upgrade the Rome railway intersection and the modernization of the Milan-Desio-Seregno suburban-tram. Western Europe remained the first commercial region with 41% of total orders received by the Sector.

In Eastern Europe, Transport booked €112 million of orders in fiscal year 2013/14, compared to €149 million in 2012/13. Main orders received included the supply of 10,000 point machines for the Kazakhstan railways.

Transport recorded €663 million of orders received in North America in fiscal year 2013/14, compared to €543 million in 2012/13. Main contracts signed included a long-term maintenance contract for CITADIS™ Spirit light rail trains in Canada, the overhaul of Baltimore's entire fleet of light rail vehicles in the United States of America and the extension of the Line 12 of the Mexico City's metro.

Transport recorded €796 million of orders received during fiscal year 2013/14 in South and Central America. The Sector was awarded contracts for the delivery of 14 CITADIS™ tramways to the city of Cuenca, in Ecuador and 120 cars for the Buenos Aires metro line H. In Brazil, Transport will supply rolling stock and systems to the tramway line connecting Rio de Janeiro and Porto Maravilha. Finally, in Chile, the Sector recorded a contract for the modernization of the Santiago metro.

In Asia/Pacific, Transport booked €535 million of orders in 2013/14, up 36% compared to last year on an organic basis. During fiscal year 2013/14, the Sector was awarded eight additional X'TRAPOLIS™ suburban double deck trains in Australia. In China, Transport booked various traction contracts for more than 800 cars, and several signalling contracts in a few cities including Shanghai, Ningbo and Shenzhen. In Hong-Kong, Transport further extended its presence with several contracts, mostly in the infrastructure segments.

Accounting for 27% of orders received by Transport, Middle East/Africa booked a record high commercial performance, becoming the second largest region in terms of orders with €1,705 million in 2013/14. This performance mainly came from the award of a turnkey metro project intended to equip three lines of the city of Riyadh in Saudi Arabia and which includes rolling stock, infrastructures, signalling and the associated maintenance. The Sector also booked a contract for the maintenance of intercity trains in Israel and one to provide two tramway lines to the cities of Mostaganem and Ouargla in Algeria.

The Transport Sector received the following major orders during 2013/14:

Country	Description
Argentina	Supply of 20 trains of six cars each for the Buenos Aires metro
Brazil	Porto Maravilha Tramway (Rio de Janeiro)
Canada	Maintenance of CITADIS™ Spirit light rail vehicles in Ottawa
Chile	Santiago Metro modernization
France	Supply of 10 additional very high speed trains
France	34 CORADIA™ Liner Intercity trains
Germany	Supply of 29 CORADIA™ Continental electrical trains
Israel	Maintenance of intercity trains
Saudi Arabia	Supply of 69 Metropolis™ trains, Urbalis™ Fluence signalling, the energy recovery system, and the fast track laying technology
United Kingdom	Delivery of the Crossrail C610 infrastructure project
United States of America	Overhaul of Baltimore's 53 light rail vehicles

Sales

Transport sales increased by 9% on an organic basis during fiscal year 2013/14 thanks to the execution of several major projects notably in Eastern Europe and reached €5,876 million, compared to €5,458 million last year.

Transport Actual figures (in € million)	Year ended 31 March 2014	% of contrib.	Year ended 31 March 2013	% of contrib.	% Variation March 2014/March 2013	
					Actual	Organic
Western Europe	3,466	59%	3,536	65%	- 2%	- 1%
Eastern Europe	735	13%	261	5%	182%	183%
North America	308	5%	358	6%	- 14%	- 10%
South and Central America	375	6%	399	7%	- 6%	- 1%
Asia/Pacific	562	10%	522	10%	8%	12%
Middle East/Africa	430	7%	382	7%	13%	14%
SALES BY DESTINATION	5,876	100%	5,458	100%	8%	9%

Western Europe, with €3,466 million, represented 59% of total sales traded, stable on a comparable basis compared to last fiscal year when two major train contracts reached completion. Contracts for very high speed and suburban trains were traded in France. Regional trains were delivered in Germany, Sweden and Italy and a maintenance contract for PENDOLINO™ high-speed trains was traded in the United Kingdom.

Eastern Europe sales increased nearly threefold at €735 million, with the delivery of high speed trains in Poland and locomotives in Russia and Kazakhstan.

Transport sales in North America amounted to €308 million over 2013/14, 10% lower than the level of last fiscal year on an organic basis, which was driven by the completion of a metro project in Mexico and the execution of contracts for metro and regional trains in Canada.

Still driven by the delivery of metro trainsets in Peru and Brazil, and by progress on turnkey projects in Panama and Venezuela, South and Central America accounted for 6% of the Sector's sales in fiscal year 2013/14 at €375 million.

In Asia/Pacific, Transport recorded €562 million of sales during fiscal year 2013/14, 12% above the level of last year on an organic basis, triggered by the execution of various projects in China, the deliveries of metro cars and signalling projects in India, and the progress of various infrastructure projects, mostly in Singapore.

Transport sales in Middle East/Africa increased by 14% on a comparable basis, at €430 million. The supply of turnkey tramway line in the United Arab Emirates (Dubai) and in Algeria drove the performance of the region.

Income from operations and operating margin

Driven by the high volume of sales, Transport's income from operations increased by 11%, at €330 million for fiscal year 2013/14, compared to €297 million for the previous year. The operating margin improved from 5.4% last year to 5.6% in fiscal year 2013/14.

CORPORATE AND OTHERS

Corporate and Others comprise all units accounting for corporate costs as well as the International Network.

The following table presents the key figures for Corporate and Others:

Corporate & Others (in € million)	Year ended 31 March 2014	Year ended 31 March 2013
Income from operations	(129)	(119)
EBIT	(269)	(145)
Capital Employed	(39)	81

The increase of non-operating expenses was mainly linked to an increase of legal fees and to the booking of specific provisions.

OPERATING AND FINANCIAL REVIEW

INCOME STATEMENT

Total Group (in € million)	Year ended 31 March 2014	Year ended 31 March 2013	% Variation March 2014/March 2013	
			Actual	Organic
Sales	20,269	20,269	0%	4%
Cost of sales	(16,213)	(16,324)	- 1%	4%
R&D expenses	(733)	(737)	- 1%	1%
Selling expenses	(966)	(952)	1%	5%
Administrative expenses	(933)	(793)	18%	23%
INCOME FROM OPERATIONS	1,424	1,463	- 3%	1%
Operating margin	7.0%	7.2%		

Sales

During fiscal year 2013/14, consolidated sales stood at €20.3 billion, increasing by 4% on an organic basis from last year. Orders booked during fiscal year 2012/13 started to be executed, particularly for Transport and Grid. Transport's operational performance was fuelled by the sound execution of large orders booked last year in France, Germany and Italy for the delivery of regional trains, and by the significant milestones reached on contracts booked last fiscal year in Venezuela, Brazil and Peru for metro trainsets and signalling systems. Grid sales benefited from the progress of large HVDC contracts, particularly in India where milestones were reached on the Champa-Kurukshetra project booked in fiscal year 2012/13. In Renewable Power, large contracts signed this year in Brazil or in Mexico achieved important milestones while the Hydro business benefited from the execution of service contracts. The late booking of some orders in Thermal Power impacted the sales of the year which were flat on a comparable basis *versus* last year.

Research and development expenses

In fiscal year 2013/14, Alstom kept a sustained level of research and development expenses at €733 million compared to €737 million

last year, confirming the Group's commitment to prepare the future. Excluding the impact of capitalisation and amortisation of development costs, research and development expenditures (gross costs) went up from €794 million to €815 million. Capitalisation of development costs increased from €233 million last year to €279 million in fiscal year 2013/14, due to the recognition on balance sheet of Wind offshore technologies and development costs from various new products.

Selling and administrative expenses

Thanks to a strict control of costs, selling expenses remained steady as compared to last year in terms of percentage of sales (4.8% on a comparable basis). The change of cost allocation rules used for project accounting in the Transport Sector implemented since 1 April 2013 led to a different allocation of costs between contract indirect production costs (estimated decrease in cost of sales for €146 million for fiscal year 2013/14) and overhead expenses (estimated increase of administrative expenses by €132 million and of selling expenses by €22 million for fiscal year 2013/14). Excluding this allocation change, administrative and selling expenses remained flat *versus* fiscal year 2012/13. For further details on this change in accounting estimates, refer to Note 2.1.3 to the consolidated financial statements.

Income from operations

The Group's income from operations reached €1,424 million in fiscal year 2013/14 *versus* €1,463 million last year. The operating margin was impacted by the lower growth in Thermal Power's sales than in other Sectors and decreased from 7.2% last fiscal year to 7.0% in 2013/14.

Total Group (in € million)	Year ended 31 March 2014	Year ended 31 March 2013 ^(*)	% Variation March 2014/March 2013
Income from operations	1,424	1,463	- 3%
Restructuring costs	(220)	(137)	61%
Other income (expense)	(196)	(137)	43%
EARNINGS BEFORE INTEREST AND TAXES	1,008	1,189	- 15%
Net financial income (expense)	(308)	(266)	16%
Income tax charge	(163)	(186)	- 12%
Share in net income of equity investments	29	47	- 38%
Discontinued operations	-	-	N/A
Non-controlling interests	(10)	(16)	- 38%
NET INCOME – GROUP SHARE	556	768	- 28%

(*) Figures have been adjusted following the application of IAS 19 revised.

Earnings before interest and taxes (EBIT)

EBIT amounted to €1,008 million for fiscal year 2013/14, compared to €1,189 million in 2012/13. This 15% year-on-year decrease is mainly linked to the launch of restructuring programmes in all Sectors including the programme d2e to adapt the Group's industrial footprint to its continuously changing environment and to the increase of non-recurring charges primarily caused by impairment losses recognized in some businesses.

Net financial income (expense)

Net financial expense was at €(308) million during fiscal year 2013/14 compared to €(266) million for the previous year adjusted following the application of IAS 19 revised. Net interest expenses reached €(199) million during 2013/14 compared to €(165) million last year, mainly due to the charges of a new bond issued in July 2013.

Income tax charge

The income tax charge decreased from €(186) million last year, adjusted following the application of IAS 19 revised, to €(163) million for fiscal year 2013/14. It included a €(326) million current income tax charge *versus* €(266) million last year and a €163 million deferred income tax credit *versus* €80 million in 2012/13.

The effective tax rate was at 23% for 2013/14, compared to 20% last year, reflecting tougher tax policies in European countries as well as a shift towards high-tax emerging countries in the geographic mix.

Net income – Group share

The decrease of EBIT, combined with the increase of financial expenses and non-recurring impairment charges impacting equity investees in the Renewable Power and Grid Sectors, have resulted in a decrease of net income (Group Share) which amounted to €556 million for fiscal year 2013/14 as compared to €768 million last fiscal year adjusted following the application of IAS 19 revised.

BALANCE SHEET

Total Group Actual figures (in € million)	At 31 March 2014	At 31 March 2013 ^(*)	Variation March 2014/March 2013
Goodwill	5,281	5,536	(255)
Intangible assets	2,054	1,982	72
Property, plant and equipment	3,032	3,024	8
Associates and non-consolidated investments	620	698	(78)
Other non-current assets	533	521	12
Deferred taxes	1,647	1,720	(73)
Non-current assets	13,167	13,481	(314)
Working capital assets	14,630	15,915	(1,285)
Marketable securities and other current financial assets	18	36	(18)
Cash and cash equivalents	2,320	2,195	125
Assets held for sale	293	-	293
Current assets	17,261	18,146	(885)
ASSETS	30,428	31,627	(1,199)

Total Group Actual figures (in € million)	At 31 March 2014	At 31 March 2013 ^(*)	Variation March 2014/March 2013
Equity (Group share and minorities)	5,109	5,087	22
Provisions (non-current and current)	1,901	1,989	(88)
Accrued pension and other employee benefits	1,526	1,674	(148)
Financial debt (current and non-current)	5,721	4,955	766
Deferred taxes	176	284	(108)
Working capital liabilities (excl. provisions)	15,995	17,638	(1,643)
Liabilities held for sale	-	-	0
LIABILITIES	30,428	31,627	(1,199)

(*) Figures have been adjusted following the application of IAS 19 revised.

Goodwill and intangible assets

At the end of March 2014, goodwill amounted to €5,281 million against €5,536 million at the end of March 2013. The decrease is notably due to a transfer to assets held for sale of the goodwill corresponding to its auxiliary components business which was approved by the Board of Directors on 1 April 2014 as part of the Group's non-core assets disposal programme announced in November 2013.

Intangible assets include acquired intangible assets and capitalised development costs. They increased slightly to €2,054 million on 31 March 2014 (compared to €1,982 million on 31 March 2013) due to capitalisation of development costs.

Tangible assets

Tangible assets slightly increased to €3,032 million on 31 March 2014, compared to €3,024 million on 31 March 2013.

The Group strengthened its industrial presence and increased its production capacities in fast growing markets through €565 million of capital expenditures (excluding capitalised development expenses) compared to €505 million last year. In India, Thermal Power pursued the construction of its new manufacturing facility in Sanand, which will assemble steam turbines and generator modules. Renewable Power inaugurated a wind tower factory in Brazil and a hydropower industrial site in China. Grid reinforced its production capacity and "know-how" in HVDC through investments in India and in the United Kingdom. Transport opened new production sites in fast growing markets, in particular a tramway manufacturing line in Brazil and a production facility dedicated to traction drives for electric locomotives in Russia.

Associates and non-consolidated investments

Associates and non-consolidated investments accounted for €620 million on 31 March 2014, compared to €698 million on 31 March 2013. This evolution is mainly due to the completion of the acquisition of Tidal Generation Limited, which is now fully consolidated, and to a translation adjustment linked with unfavourable exchange rate against the Russian Rouble which impacted the value of the Group's share in Transmashholding.

Other non-current assets

Other non-current assets amounted to €533 million at the end of March 2014, compared to €521 million at the end of March 2013. Financial non-current assets directly associated to a long-term lease of trains and associated equipment for a London metro operator decreased from €382 million at the end of March 2013 to €364 million at the end of March 2014.

Working capital

Working capital (defined as current assets excluding assets held for sale, cash and cash equivalents and marketable securities, less current liabilities excluding current financial liabilities and including non-current provisions) on 31 March 2014 was €(3,266) million compared to €(3,712) million on 31 March 2013. The increase is linked to the higher level of Construction Contracts In Progress (CCIP), mainly on a few projects in Thermal Power.

Deferred tax

Net deferred tax assets increased to €1,471 million at the end of March 2014, from €1,436 million a year before.

Current and non-current provisions

The current and non-current provisions decreased from €1,989 million on 31 March 2013 to €1,901 million on 31 March 2014.

Equity attributable to the equity holders of the parent and non-controlling interests

Equity on 31 March 2014 slightly increased to €5,109 million (including non-controlling interests) from €5,087 million on 31 March 2013 adjusted following the application of IAS 19 revised. It was mostly impacted by:

- net income from the fiscal year 2013/14 of €556 million (Group share);
- distribution of dividends (Group share) of €(259) million in 2013/14;
- currency translation adjustment of €(326) million during fiscal year 2013/14.

Financial debt

The gross financial debt amounted to €5,721 million at the end of March 2014 compared to €4,955 million at the end of March 2013. This increase mainly resulted from the issuance of a new €500 million bond in July 2013.

See Note 25 to the consolidated financial statements for further details regarding the financial debt.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents selected figures concerning the consolidated statement of cash flows:

Total Group (in € million)	Year ended 31 March 2014	Year ended 31 March 2013 ^(*)
Net cash provided by operating activities – before changes in net working capital	939	1,239
Changes in net working capital resulting from operating activities	(300)	(150)
Net cash provided by/(used in) operating activities	639	1,089
Net cash used in investing activities	(907)	(1,118)
Net cash provided by/(used in) financing activities	564	180
Net increase/(decrease) in cash and cash equivalents	296	151
Cash and cash equivalents at the beginning of the period	2,195	2,091
Net effect of exchange rate variations	(148)	(49)
Other changes	(23)	2
Cash and cash equivalents at the end of the period	2,320	2,195

(*) Figures have been adjusted following the application of IAS 19 revised.

Net cash provided by operating activities

Net cash provided by operating activities was €639 million for fiscal year 2013/14, compared to €1,089 million for the previous year.

Net cash provided by operating activities before changes in net working capital was €939 million in 2013/14. It represents the cash generated by the Group's net income after elimination of non-cash items (given that provisions are included in the definition of the working capital, they are not part of the elimination of non-cash items) and before working capital movements.

The Group's net working capital change resulting from operating activities was negative at €(300) million in 2013/14 compared to €(150) million last fiscal year.

Net cash used in investing activities

Net cash used in investing activities was €(907) million for fiscal year 2013/14, versus €(1,118) million for the previous year. In 2013/14, capital expenditures (excluding capitalised development expenses) amounted to €565 million and capitalised research and development costs to €279 million. Acquisitions of businesses, net of cash acquired, amounted to €105 million in 2013/14 versus €472 million in 2012/13 when it included the payment of the remaining part of the acquisition price of 25% of TMH's equity.

Net cash provided by financing activities

Net cash provided by financing activities was €564 million for fiscal year 2013/14, compared to €180 million the previous year. This evolution is mainly due to the issuance of a new €500 million bond in 2013/14 compared to an issuance of a €350 million bond in 2012/13.

Net cash position

On 31 March 2014, the Group recorded a net debt level of €3,019 million, compared to the net debt position of €2,342 million at 31 March 2013.

Total Group (in € million)	Year ended 31 March 2014	Year ended 31 March 2013 ^(*)
Net cash/(debt) at the beginning of the period	(2,342)	(2,492)
Change in cash and cash equivalents	296	151
Change in marketable securities and other current financial assets & liabilities	(13)	11
Change in bonds and notes	(474)	(350)
Change in current and non current borrowings	(346)	174
Change in obligations under finance leases	38	45
Net debt of acquired entities at acquisition date and other variations	(178)	119
Net cash/(debt) at the end of the period	(3,019)	(2,342)

(*) Figures have been adjusted following the application of IAS 19 revised.

Notes 24, 25, 26, 30 and 31 to the consolidated financial statements provide further details, respectively on:

- the analysis of pensions and other employee benefits;
- the nature and the maturity of the financial debt;
- the Group's policy regarding financial risk management, including currency, interest, credit and liquidity risks;
- off-balance sheet commitments;
- lease obligations.

USE OF NON-GAAP FINANCIAL INDICATORS

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 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 to immediately eliminate the currency exposure through the use of forward currency sales. Orders are then measured using the spot rate at inception of hedging instruments.

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

Total Group (in € million)	Year ended 31 March 2014	Year ended 31 March 2013
Net cash provided by/(used in) operating activities	639	1,089
Capital expenditure (including capitalized development costs)	(844)	(738)
Proceeds from disposals of tangible and intangible assets	34	57
Free Cash Flow	(171)	408

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.

Capital employed

Capital employed is defined as the closing position of goodwill, intangible assets, property, plant and equipment, associates and available-for-sale financial assets, other non-current assets (excluding prepaid pension benefits and financial non-current assets directly associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents) minus non-current provisions and current liabilities (excluding current financial debt).

Order backlog

Order backlog represents sales not yet recognised on 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 and to foreign currency translation effects.

Capital employed by Sector and at Group level is presented in Note 5 to the consolidated financial statements as of 31 March 2014.

Capital employed is used both for internal analysis purposes and for external communication as it provides insight regarding the amount of financial resources employed by a Sector or the Group as a whole and the profitability of a Sector or the Group as a whole in regard to resources employed.

At the end of March 2014, capital employed reached €8,161 million, compared to €7,651 million at the end of March 2013, mainly due to the increase in working capital requirements.

Total Group (in € million)	Year ended 31 March 2014	Year ended 31 March 2013 ^(*)
Non current assets	13,167	13,481
less deferred tax assets	(1,647)	(1,720)
less non-current assets directly associated to financial debt	(364)	(382)
less prepaid pension benefits	(22)	(16)
plus assets held for sale	293	-
Capital employed – non current assets (A)	11,427	11,363
Current assets	17,261	18,146
less cash & cash equivalents	(2,320)	(2,195)
less marketable securities and other current financial assets	(18)	(36)
less assets held for sale	(293)	-
Capital employed – current assets (B)	14,630	15,915
Current liabilities	18,500	19,272
less current financial debt	(1,314)	(325)
plus non current provisions	710	680
Capital employed – liabilities (C)	17,896	19,627
CAPITAL EMPLOYED (A)+(B)-(C)	8,161	7,651

(*) Figures have been adjusted following the application of IAS 19 revised.

Net cash

Net cash is defined as cash and cash equivalents, marketable securities and other current financial assets and financial non-current assets directly associated to financial debt, less current and non-current financial debt.

Total Group (in € million)	Year ended 31 March 2014	Year ended 31 March 2013
Cash and cash equivalents	2,320	2,195
Marketable securities and other current financial assets	18	36
Financial non-current assets directly associated to financial debt	364	382
less:		
Current financial debt	1,314	325
Non current financial debt	4,407	4,630
NET CASH/(DEBT)	(3,019)	(2,342)

Organic basis

Figures disclosed in this section include performance indicators presented on an actual basis and on an organic basis. Figures have been given on an organic basis in order to eliminate the impact of changes in business composition and of variation of exchange rates between the Euro and the foreign currencies. 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, provided on an organic basis, are not measurements of performance under IFRS.

To prepare figures on an organic basis, the figures presented on an actual basis are adjusted as follows:

- the actual figures for 2012/13 (order backlog, orders received, sales and income from operations) are restated taking into account the exchange rates used for 2013/14, as used for preparing the Consolidated Financial Statements;
- in order to reflect the same scope of activity, actual figures for 2012/13 are restated from disposals made during fiscal year 2013/14 and 2013/14 actual figures are restated from acquisitions made in fiscal year 2013/14.






Figures on an organic basis are presented in the next table.


ALSTOM – ORGANIC FIGURES 2013/14

<i>(in € million)</i>	Year ended 31 March 2013				Year ended 31 March 2014				
	Actual figures	Exchange rate	Scope impact	Comparable Figures	Actual figures	Scope impact	Organic figures	% Var. act. March 2014/ March 2013	% Var. org. March 2014/ March 2013
Thermal Power	19,151	(963)	-	18,188	17,904	-	17,904	- 7%	- 2%
Renewable Power	4,569	(480)	(54)	4,035	4,919	-	4,919	8%	22%
Grid	6,190	(403)	(13)	5,774	5,470	(3)	5,467	- 12%	- 5%
Transport	22,965	(444)	-	22,521	23,165	-	23,165	1%	3%
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
ORDERS BACKLOG	52,875	(2 290)	(67)	50,518	51,458	(3)	51,455	- 3%	2%
Thermal Power	9,574	(359)	-	9,215	9,017	-	9,017	- 6%	- 2%
Renewable Power	2,029	(195)	(1)	1,833	2,565	-	2,565	26%	40%
Grid	5,058	(257)	(30)	4,771	3,514	(4)	3,510	- 31%	- 26%
Transport	7,109	(105)	1	7,005	6,402	-	6,402	- 10%	- 9%
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
ORDERS RECEIVED	23,770	(916)	(30)	22,824	21,498	(4)	21,494	- 10%	- 6%
Thermal Power	9,179	(362)	-	8,817	8,787	-	8,787	- 4%	0%
Renewable Power	1,803	(103)	(27)	1,673	1,829	-	1,829	1%	9%
Grid	3,829	(224)	(43)	3,562	3,777	(4)	3,773	- 1%	6%
Transport	5,458	(86)	-	5,372	5,876	-	5,876	8%	9%
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
SALES	20,269	(775)	(70)	19,424	20,269	(4)	20,265	0%	4%
Thermal Power	959	(31)	-	928	930	-	930	- 3%	0%
Renewable Power	88	(5)	(10)	73	82	-	82	- 7%	12%
Grid	238	(10)	2	230	211	-	211	- 11%	- 8%
Transport	297	-	(3)	294	330	-	330	11%	12%
Corporate & Others	(119)	3	-	(116)	(129)	-	(129)	8%	11%
INCOME FROM OPERATIONS	1,463	(43)	(11)	1,409	1,424	-	1,424	- 3%	1%
Thermal Power	10.4%			10.5%	10.6%		10.6%		
Renewable Power	4.9%			4.4%	4.5%		4.5%		
Grid	6.2%			6.5%	5.6%		5.6%		
Transport	5.4%			5.5%	5.6%		5.6%		
Corporate & Others	N/A			N/A	N/A		N/A		
OPERATING MARGIN	7.2%			7.3%	7.0%		7.0%		
Sales	20,269	(775)	(70)	19,424	20,269	(4)	20,265	0%	4%
Cost of sales	(16,324)	667	54	(15,603)	(16,213)	4	(16,209)	- 1%	4%
R&D expenses	(737)	8	-	(729)	(733)	-	(733)	- 1%	1%
Selling expenses	(952)	28	1	(923)	(966)	-	(966)	1%	5%
Administrative expenses	(793)	29	4	(760)	(933)	-	(933)	18%	23%
INCOME FROM OPERATIONS	1,463	(43)	(11)	1,409	1,424	-	1,424	- 3%	1%

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

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2014

CONSOLIDATED INCOME STATEMENT

<i>(in € million)</i>	Note	Year ended	
		31 March 2014 ⁽²⁾	31 March 2013 ⁽¹⁾
Sales	(5)	20,269	20,269
Cost of sales		(16,213)	(16,324)
Research and development expenses	(6)	(733)	(737)
Selling expenses		(966)	(952)
Administrative expenses		(933)	(793)
Income from operations	(5)	1,424	1,463
Other income	(7)	27	6
Other expense	(7)	(443)	(280)
Earnings before interest and taxes	(5)	1,008	1,189
Financial income	(8)	28	36
Financial expense	(8)	(336)	(302)
Pre-tax income		700	923
Income tax charge	(9)	(163)	(186)
Share in net income of equity investments	(13)	29	47
NET PROFIT		566	784
Attributable to:			
• Equity holders of the parent		556	768
• Non controlling interests		10	16
Earnings per share <i>(in €)</i>			
• Basic earnings per share	(10)	1.80	2.55
• Diluted earnings per share	(10)	1.78	2.52

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) See Note 2 "Accounting policies": change in accounting estimates.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € million)</i>	Note	Year ended	
		31 March 2014 ⁽¹⁾	31 March 2013 ⁽¹⁾
Net profit recognised in income statement		566	784
Remeasurement of post-employment benefits obligations	(24)	107	(251)
Income tax relating to items that will not be reclassified to profit or loss	(9)	(54)	47
Items that will not be reclassified to profit or loss		53	(204)
Fair value adjustments on available-for-sale assets		(15)	(1)
Fair value adjustments on cash flow hedge derivatives		(1)	15
Currency translation adjustments	(21)	(326)	36
Income tax relating to items that may be reclassified to profit or loss	(9)	4	(2)
Items that may be reclassified to profit or loss		(338)	48
Other comprehensive income		(285)	(156)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		281	628
Attributable to:			
• Equity holders of the parent		285	613
• Non controlling interests		(4)	15

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

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

CONSOLIDATED BALANCE SHEET

Assets

<i>(in € million)</i>	Note	At 31 March 2014	At 31 March 2013 ⁽¹⁾
Goodwill	(11)	5,281	5,536
Intangible assets	(11)	2,054	1,982
Property, plant and equipment	(12)	3,032	3,024
Associates and non consolidated investments	(13)	620	698
Other non-current assets	(14)	533	521
Deferred taxes	(9)	1,647	1,720
Total non-current assets		13,167	13,481
Inventories	(15)	2,977	3,144
Construction contracts in progress, assets	(16)	3,967	4,158
Trade receivables	(17)	4,483	5,285
Other current operating assets	(18)	3,203	3,328
Marketable securities and other current financial assets	(19)	18	36
Cash and cash equivalents		2,320	2,195
Assets held for sale	(28)	293	-
Total current assets		17,261	18,146
TOTAL ASSETS		30,428	31,627

Equity and liabilities

<i>(in € million)</i>	Note	At 31 March 2014	At 31 March 2013 ⁽¹⁾
Equity attributable to the equity holders of the parent	(21)	5,044	4,994
Non controlling interests		65	93
Total equity		5,109	5,087
Non-current provisions	(23)	710	680
Accrued pension and other employee benefits	(24)	1,526	1,674
Non-current borrowings	(25)	4,009	4,197
Non-current obligations under finance leases	(25)	398	433
Deferred taxes	(9)	176	284
Total non-current liabilities		6,819	7,268
Current provisions	(23)	1,191	1,309
Current borrowings	(25)	1,267	283
Current obligations under finance leases	(25)	47	42
Construction contracts in progress, liabilities	(16)	8,458	9,909
Trade payables		3,866	4,041
Other current operating liabilities	(27)	3,671	3,688
Liabilities held for sale	(28)	-	-
Total current liabilities		18,500	19,272
TOTAL EQUITY AND LIABILITIES		30,428	31,627

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € million)</i>	Note	Year ended	
		31 March 2014	31 March 2013 ⁽¹⁾
Net profit		566	784
Depreciation, amortisation and expense arising from share-based payments		569	543
Post-employment and other long-term defined employee benefits		(17)	(24)
Net (gains)/losses on disposal of assets		(23)	34
Share in net income of associates (net of dividends received)	(13)	7	(18)
Deferred taxes charged to income statement	(9)	(163)	(80)
Net cash provided by operating activities – before changes in working capital		939	1,239
Changes in working capital resulting from operating activities	(20)	(300)	(150)
Net cash provided by/(used in) operating activities		639	1,089
Proceeds from disposals of tangible and intangible assets		34	57
Capital expenditure (including capitalised R&D costs)	(6)	(844)	(738)
Increase/(decrease) in other non-current assets		(9)	37
Acquisitions of businesses, net of cash acquired		(105)	(472)
Disposals of businesses, net of cash sold		17	(2)
Net cash provided by/(used in) investing activities		(907)	(1,118)
Capital increase/(decrease) including non controlling interests		36	351
Dividends paid including payments to non controlling interests		(267)	(243)
Changes in ownership interests with no gain/loss of control		-	(48)
Issuances of bonds & notes	(25)	500	350
Repayments of bonds & notes issued		(26)	-
Changes in current and non-current borrowings		346	(174)
Changes in obligations under finance leases		(38)	(45)
Changes in marketable securities and other current financial assets and liabilities		13	(11)
Net cash provided by/(used in) financing activities		564	180
Net increase/(decrease) in cash and cash equivalents		296	151
Cash and cash equivalents at the beginning of the period		2,195	2,091
Net effect of exchange rate variations		(148)	(49)
Other changes		(23)	2
Cash and cash equivalents at the end of the period		2,320	2,195
<i>Income tax paid</i>		<i>(266)</i>	<i>(240)</i>
<i>Net of interests paid & received</i>		<i>(202)</i>	<i>(186)</i>

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

<i>(in € million)</i>	Note	Year ended	
		31 March 2014	31 March 2013 ⁽¹⁾
Net cash/(debt) variation analysis⁽²⁾			
Changes in cash and cash equivalents		296	151
Changes in marketable securities and other current financial assets & liabilities		(13)	11
Changes in bonds and notes		(474)	(350)
Changes in current and non-current borrowings		(346)	174
Changes in obligations under finance leases		38	45
Net debt of acquired entities at acquisition date and other variations		(178)	119
<i>Decrease/(increase) in net debt</i>		<i>(677)</i>	<i>150</i>
Net cash/(debt) at the beginning of the period		(2,342)	(2,492)
Net cash/(debt) at the end of the period	(26)	(3,019)	(2,342)

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) 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 14), less financial debt (see Note 25).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in € million, except for number of shares)</i>	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 2012 ⁽¹⁾	294,533,680	2,062	622	3,155	(1,531)	4,308	107	4,415
Movements in other comprehensive income	-	-	-	-	(155)	(155)	(1)	(156)
Net income for the period	-	-	-	768	-	768	16	784
Total comprehensive income	-	-	-	768	(155)	613	15	628
Change in controlling interests and others	8	-	-	(54)	-	(54)	(19)	(73)
Dividends paid	-	-	-	(236)	-	(236)	(10)	(246)
Issue of ordinary shares	13,133,208	92	251	-	-	343	-	343
Issue of ordinary shares under long term incentive plans	491,230	3	2	-	-	5	-	5
Recognition of equity settled share-based payments	-	-	-	15	-	15	-	15
AT 31 MARCH 2013 ⁽¹⁾	308,158,126	2,157	875	3,648	(1,686)	4,994	93	5,087
Movements in other comprehensive income	-	-	-	-	(271)	(271)	(14)	(285)
Net income for the period	-	-	-	556	-	556	10	566
Total comprehensive income	-	-	-	556	(271)	285	(4)	281
Change in controlling interests and others	101	-	-	11	-	11	(15)	(4)
Dividends paid	-	-	-	(259)	-	(259)	(9)	(268)
Issue of ordinary shares under long term incentive plans	543,919	4	1	(3)	-	2	-	2
Recognition of equity settled share-based payments	-	-	-	11	-	11	-	11
AT 31 MARCH 2014	308,702,146	2,161	876	3,964	(1,957)	5,044	65	5,109

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 • PRESENTATION OF THE GROUP

Alstom (“the Group”) serves the power generation and transmission markets through its Thermal Power, Renewable Power and Grid Sectors, and the rail transport market through its Transport Sector. The Group designs, supplies, and services a complete range of technologically-advanced products and systems for its customers, and possesses a unique expertise in systems integration and through life maintenance and services.

The operational activities of the Group are organised in four Sectors:

Thermal Power

Thermal Power offers a comprehensive range of power generation solutions using gas or coal from integrated power plants and all types of turbines, generators, boilers, emission control systems to a full range of services including plant modernisation, maintenance and operational support. The Sector also supplies conventional islands for nuclear power plants.

Renewable Power

Renewable Power offers EPC solutions, turbines and generators, control equipment and maintenance for Hydro power and Wind power activities. The Sector also includes geothermal and solar thermal businesses.

Grid

The Grid Sector designs and manufactures equipment and engineered turnkey solutions to manage power grids and transmit electricity from the power plant to the large end-users, be it distribution utilities or industrial process or production facilities.

Transport

The Transport Sector serves the urban transit, regional/intercity passenger travel markets and freight markets all over the world with rail transport products, systems and services.

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 6 May 2014. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 1 July 2014.

NOTE 2 • ACCOUNTING POLICIES

2.1. Basis of preparation of the consolidated financial statements

Alstom consolidated financial statements, for the year ended 31 March 2014, 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 2014;
- using the same accounting policies and measurement methods as at 31 March 2013, with the exceptions of changes required by the enforcement of new standards and interpretations and with a change in accounting estimates as described below (see Note 2.1.3).

The information relating to consolidated financial statements for the fiscal year ended 31 March 2012, presented in the 2012/13 registration document D.13-0571 filed with the AMF on 29 May 2013 are included by reference.

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 2013

- IAS 19 revised, Employee benefits: the changes and impacts resulting from the revision of IAS 19, Employee benefits, are detailed in Note 3 “Changes in accounting method”;
- IFRS 13, Fair Value Measurement: this standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an “exit price” notion and uses a “fair value hierarchy” which results in a market based, rather than entity specific, measurement;
- Amendments to IAS 12, Income taxes – Deferred taxes: recovery of underlying assets;
- Amendments to IFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities;
- Improvements to IFRS 2009-2011.

Except the changes in accounting method related to IAS 19 revised described in Note 3, the other standards, amendments and interpretations effective as of 1 April 2013 do not have a material impact on the Group's consolidated financial statements.

Moreover, the Group has applied by anticipation since 1 April 2011 the amendment to IAS 1, Presentation of items of other comprehensive income which is now mandatory. This amendment requests the distinction between comprehensive income elements that will be reclassified in profit or loss and elements that will not. This amendment does not have a material impact on the presentation of the Group's published consolidated statement of comprehensive income.

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

Standards on consolidation (IFRS 10, Consolidated Financial statements; IFRS 11, Joint arrangements; IFRS 12, Disclosure of interests in other entities; IAS 28 revised, Investments in associates and joint ventures) and related amendments (Transition guidance and investment entities)

The Group will apply the consolidation standards (IFRS 10, IFRS 11, IFRS 12 and IAS 28 revised) starting 1 April 2014.

The Group is currently finalizing the assessment of the impact of applying these new standards for the first time.

IFRS 10, Consolidated financial statements

This standard defines control as being exercised when an investor is exposed, or has rights, to variable returns from his involvement with the investee and has the ability to affect those returns through his power over the investee. The impact of applying this new standard on the consolidated financial statements is not expected to be significant.

IFRS 11, Joint arrangements

The new standard mainly prescribes two different accounting treatments:

- joint arrangements qualifying as joint operations will be recognised based on the proportion of assets, liabilities, revenue and expenses controlled by the Group. A joint operation may be conducted under a separate vehicle or not;
- joint arrangements that are qualified as joint ventures will be accounted for using the equity method as the parties have rights to the net assets of the arrangement.

The Group analysed its jointly controlled entities in light of IFRS 11, so as to determine if they shall be classified as joint operations or joint ventures.

Entities over which the Group exercises joint control, currently consolidated until now in accordance with the proportionate consolidation method and expected to be classified as joint ventures under IFRS 11 mainly relate to Transport Sector.

The Group has assessed the impact of applying this new standard. However, as the contribution of the jointly controlled entities to the Group's main financial indicators is currently not material, the impact on the consolidated financial statements is not expected to be significant.

Others amendments

- Offsetting financial assets and financial liabilities (amendments to IAS 32);
- Recoverable amount disclosures for non-financial assets (amendments to IAS 36);

- Novation of derivatives and continuation of hedge accounting (amendments to IAS 39).

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

- Financial instruments:
 - Classification and measurement of financial assets (IFRS 9);
 - Mandatory effective date and transition guidance (amendments to IFRS 9 and IFRS 7).
- Defined Benefit Plans: Employee contributions (amendments to IAS 19R);
- Levies (IFRIC 21);
- Improvements to IFRS 2010-2012 and IFRS 2011-2013.

The Group is carrying out the assessment of the impact of applying these new standards and interpretations for the first time.

2.1.3. Change in accounting estimates

In order to increase costs visibility and control, costs allocation used for projects accounting has been modified starting from 1 April 2013, in Transport Sector. This change leads to allocate differently costs between contract indirect production costs and overhead expenses. In accordance with IAS 8, this change is analysed as a change in accounting estimates and is thus recognised prospectively. The estimated impact for the year ended 31 March 2014 is a decrease in Costs of sales for €146 million against an increase in Selling expenses and Administrative expenses for respectively €22 million and €132 million.

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 groups of cash generating units 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

Entities over which the Group exercises exclusive control are fully consolidated. Exclusive control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities, whether it holds shares or not.

Inter-company balances and transactions are eliminated.

Results of operations of subsidiaries acquired or disposed of during the year are recognised in the consolidated income statement as from the date of acquisition or up to the date of disposal, respectively.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the equity holders of the parent. 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.

Interests in joint ventures

Entities over which the Group exercises joint control are consolidated according to the proportionate consolidation method whereby the Group's share of the joint ventures' results, assets and liabilities is recorded in the consolidated financial statements. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in associates

Entities in which the Group exercises significant influence but not control, are accounted for under the equity method. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. In case of associates purchased by stage, the Group uses the cost method to account for changes from available for sales (AFS) category to associates.

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

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

The impairment expense of investments in associates is recorded in the line "Share in net income of equity investments" of the income statement.

2.3.2. 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.

2.3.3. 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 3 Revised.

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 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.

Goodwill is not amortised but tested for impairment annually at closing date or more frequently if events or changes in circumstances indicate a potential impairment.

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.

2.3.4. Non-Current Assets Held for Sale and Discontinued Operations

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

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.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When these criteria are met, the results and cash flows of discontinued operations are presented on a separate line in the consolidated income statement and statement of cash flows for each period. The Group assesses whether a discontinued operation represents a major line of business or geographical area of operations mainly on the basis of its relative contribution to the Group's consolidated financial statements.

2.3.5. Segment information

Operating segments used to present segment information are identified on the basis of internal reports used by the Chief Executive Officer (CEO) to allocate resources to the segments and assess their performance. There is no segment aggregation.

The Chief Executive Officer is the Group's "chief operating decisions maker" within the meaning of IFRS 8.

The methods used to measure the key performance indicators of the segments for internal reporting purposes are the same as those used to prepare the consolidated financial statements.

2.3.6. Sales and costs generated by operating activities

Measurement of sales and costs

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

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

Production costs include direct costs (such as material, labour and warranty costs) and indirect costs. On the basis of funding required for the execution of contracts, borrowing costs may be attributed to construction contracts whose execution period exceeds one year. 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 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 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.

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.

Recognition of research and development costs and overhead expenses

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 2.3.11).

Selling and administrative expenses are expensed as incurred.

2.3.7. Income from operations

Income from operations is the indicator used by the Group to present the level of operational performance that can be used as part of an approach to forecast recurring performance.

Income from operations includes gross margin, research and development expenses, selling and administrative expenses. It includes in particular the service cost of employee defined benefits, the cost of share-based payments and employee profit sharing, foreign exchange gains or losses associated with operating transactions and capital gains (losses) on disposal of intangible and tangible assets arising from ordinary activities.

2.3.8. Other income and other expense

Other income and other expense 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 of or facing restructuring plans as well as any income associated to past disposals.

Other expense include capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets arising from activities disposed of or facing restructuring plans as well as any costs associated to past disposals, restructuring costs, rationalisation costs, significant impairment losses on assets, costs incurred to effect business combinations and amortisation expense of assets exclusively acquired in the context of business combinations (margin in backlog, customer relationship, 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 (plan amendments, impacts of curtailments and settlements and actuarial gains and losses referring to long-term benefits other than post-employment benefits).

Rationalisation costs are linked to the Group-wide cost competitiveness plan called D2E (Dedicated to Excellence). Those costs are incremental ones and are incurred on a short-term period.

2.3.9. Financial income and 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, the debt component of compound instruments, other borrowings and lease-financing liabilities);
- other expenses paid to financial institutions for financing operations;
- the financial component of the employee defined benefits expense (net interest income (expense) and administration costs);
- foreign exchange gains and losses associated to financing transactions;
- other income or expense from cash and cash equivalents and marketable securities.

2.3.10. Foreign currency transactions

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 within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

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. Providing 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 may be of two types:

- cash flow hedge in case of hedge of the exposure to variability of cash flows attributable to highly probable forecast transactions;
- fair value hedge in case of hedge of the exposure attributable to recognised assets, liabilities or firm commitments.

Cash flow hedge

When cash flow hedge accounting applies, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the forecast transaction results in the recognition of a financial asset or liability, the amounts previously recognised directly in other comprehensive income are recycled into the income statement. When the forecast transaction results in the recognition of a non financial asset or liability (for instance, inventories or construction contracts in progress), the gain or loss that was directly recognised in other comprehensive income is included in the carrying amount of the asset or liability.

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. Realised and unrealised exchange gains and losses on hedged items and hedging instruments are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

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.

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.

2.3.11. 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 expenses 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 (margin in backlog, customer relationship) is recognised as other expense.

Internally generated intangible assets

Development costs are capitalised if and only if the project they relate to meets 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.

2.3.12. 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:

<i>(in years)</i>	Estimated useful life
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.

2.3.13. 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.

For internal management purposes, goodwill acquired in a business combination is monitored at the level of the Sectors as defined in Note 1: therefore goodwill is tested for impairment at the level of the group of cash-generating units constituting each Sector.

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 of each Sector.

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.

2.3.14. Financial assets

Loans and deposits

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.

Investments and debt securities

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.

Derivative financial instruments

Derivative financial instruments are recognised and re-measured at fair value (see Note 2.3.10. for foreign currency hedging instruments and Note 2.3.20. for interest rate derivatives).

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 income from operations.

2.3.15. 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.

2.3.16. Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value.

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

2.3.17. 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. It 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 ventures 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.

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.

2.3.18. 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 balance sheet 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.

2.3.19. Financial liabilities

Bonds and borrowings

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.

Derivative financial instruments

Derivative financial instruments are recognised and re-measured at fair value (see Note 2.3.10 for foreign currency hedging instruments and Note 2.3.20 for interest rate hedging instruments).

Payables

Payables are initially recognised at fair value, which in most cases approximates the nominal value. They are subsequently re-measured at amortised cost.

2.3.20. Interest rate derivatives

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 part of hedged risk. In the case of cash flow hedge relationships, the change in fair value of the derivative is recognised directly in other comprehensive income. When the forecast transaction results in the recognition of a monetary item, the amounts previously recognised directly in other comprehensive income are reclassified to the income statement.

2.3.21. 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. 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 income from operations 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.

2.3.22. 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 the income from operations. 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).

The Group also participates in multi-employer defined benefit plans, mainly in the United States and Canada. As corresponding funds are not able to provide sufficient information to use defined benefit accounting, these plans are accounted for as defined contribution plans (see below).

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/expense" in the income statement.

2.3.23. Off balance sheet commitments

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.

2.3.24. 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 reimbursable with 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).

2.3.25. Presentation of consolidated financial statements

The consolidated financial statements are presented in millions of euros. Certain reclassifications may have been made to prior year amounts to conform to current year presentation.

NOTE 3 • CHANGES IN ACCOUNTING METHOD

As of 1 April 2013, the Group applies IAS 19 revised. The main changes of this revised standard are the following:

- elimination of the option of applying the corridor approach for post-employment benefits: as a result, all actuarial gains and losses are recognized immediately in liabilities and are recorded for each period systematically in "other comprehensive income";
- past service costs are also recognized immediately in liabilities and are recorded in the income statement;

- the expected return on plan assets is now calculated on the basis of the discount rate used to value the defined benefit obligation rather than on the basis of market expectations for returns.

In compliance with IAS 8, these changes in accounting method are applied retrospectively.

As the Group already applied the option offered by IAS 19 to recognize in other comprehensive income the actuarial gains and losses in the period in which they arise, Alstom is not impacted by the elimination of the corridor option. Other changes have the following impacts on the Group's consolidated financial statements.

Consolidated income statement restated

<i>(in € million)</i>	Year ended 31 March 2013		
	Published	Impacts IAS 19R	Restated
Sales	20,269		20,269
Cost of sales	(16,324)		(16,324)
Research and development expenses	(737)		(737)
Selling expenses	(952)		(952)
Administrative expenses	(793)		(793)
Income from operations	1,463	-	1,463
Other income	6		6
Other expense	(282)	2	(280)
Earnings before interest and taxes	1,187	2	1,189
Financial income	36		36
Financial expense	(259)	(43)	(302)
Pre-tax income	964	(41)	923
Income tax charge	(193)	7	(186)
Share in net income of equity investments	47		47
NET PROFIT	818	(34)	784
Attributable to:			
• equity holders of the parent	802	(34)	768
• non controlling interests	16	-	16
Earnings per share <i>(in €)</i>			
• basic earnings per share	2.66	(0.11)	2.55
• diluted earnings per share	2.64	(0.12)	2.52

Statement of comprehensive income restated

<i>(in € million)</i>	Year ended 31 March 2013		
	Published	Impacts IAS 19R	Restated
Net profit recognised in income statement	818	(34)	784
Actuarial gains and losses on post-employment benefits	(295)	44	(251)
Income tax relating to items that will not be reclassified to profit or loss	55	(8)	47
Items that will not be reclassified to profit or loss	(240)	36	(204)
Fair value adjustments on available-for-sale assets	(1)		(1)
Fair value adjustments on cash flow hedge derivatives	15		15
Currency translation adjustments	36		36
Income tax relating to items that may be reclassified to profit or loss	(2)		(2)
Items that may be reclassified to profit or loss	48	-	48
Other comprehensive income	(192)	36	(156)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	626	2	628
Attributable to:			
• equity holders of the parent	611	2	613
• non controlling interests	15	-	15

Consolidated balance sheet restated

<i>(in € million)</i>	At 31 March 2013			At 31 March 2012		
	Published	Impacts IAS 19R	Restated	Published	Impacts IAS 19R	Restated
ASSETS						
Goodwill	5,536		5,536	5,483		5,483
Intangible assets	1,982		1,982	1,921		1,921
Property, plant and equipment	3,024		3,024	2,852		2,852
Associates and non consolidated investments	698		698	531		531
Other non-current assets	515	6	521	545	6	551
Deferred taxes	1,711	9	1,720	1,472	10	1,482
Total non-current assets	13,466	15	13,481	12,804	16	12,820
Inventories	3,144		3,144	3,138		3,138
Construction contracts in progress, assets	4,158		4,158	3,752		3,752
Trade receivables	5,285		5,285	5,692		5,692
Other current operating assets	3,328		3,328	3,557		3,557
Marketable securities and other current financial assets	36		36	13		13
Cash and cash equivalents	2,195		2,195	2,091		2,091
Total current assets	18,146	-	18,146	18,243	-	18,243
TOTAL ASSETS	31,612	15	31,627	31,047	16	31,063

<i>(in € million)</i>	At 31 March 2013			At 31 March 2012		
	Published	Impacts IAS 19R	Restated	Published	Impacts IAS 19R	Restated
EQUITY AND LIABILITIES						
Equity attributable to the equity holders of the parent	5,011	(17)	4,994	4,327	(19)	4,308
Non controlling interests	93		93	107		107
Total equity	5,104	(17)	5,087	4,434	(19)	4,415
Non-current provisions	680		680	804		804
Accrued pension and other employee benefits	1,642	32	1,674	1,417	35	1,452
Non-current borrowings	4,197		4,197	3,863		3,863
Non-current obligations under finance leases	433		433	477		477
Deferred taxes	284		284	176		176
Total non-current liabilities	7,236	32	7,268	6,737	35	6,772
Current provisions	1,309		1,309	1,414		1,414
Current borrowings	283		283	634		634
Current obligations under finance leases	42		42	48		48
Construction contracts in progress, liabilities	9,909		9,909	9,508		9,508
Trade payables	4,041		4,041	4,080		4,080
Other current operating liabilities	3,688		3,688	4,192		4,192
Total current liabilities	19,272	-	19,272	19,876	-	19,876
TOTAL EQUITY AND LIABILITIES	31,612	15	31,627	31,047	16	31,063

Consolidated statement of cash flows restated

<i>(in € million)</i>	Year ended 31 March 2013		
	Published	Impacts IAS 19R	Restated
Net profit	818	(34)	784
Depreciation, amortisation and expense arising from share-based payments	543		543
Post-employment and other long-term defined employee benefits	(65)	41	(24)
Net (gains)/losses on disposals of assets	34		34
Share in net income of associates (net of dividends received)	(18)		(18)
Deferred taxes charged to income statement	(73)	(7)	(80)
Net cash provided by operating activities – before changes in working capital	1,239	-	1,239
Changes in working capital resulting from operating activities	(150)	-	(150)
Net cash provided by / (used in) operating activities	1,089	-	1,089
Proceeds from disposals of tangible and intangible assets	57		57
Capital expenditure (including capitalised R&D costs)	(738)		(738)
Increase/(decrease) in other non-current assets	37		37
Acquisitions of businesses, net of cash acquired	(472)		(472)
Disposals of businesses, net of net cash sold	(2)		(2)
Net cash provided by/ (used in) investing activities	(1,118)	-	(1,118)
Capital increase/(decrease) including non controlling interests	351		351
Dividends paid including payments to non controlling interests	(243)		(243)
Changes in ownership interests with no gain/loss of control	(48)		(48)
Issuance of bonds & notes	350		350
Changes in current and non-current borrowings	(174)		(174)
Changes in obligations under finance leases	(45)		(45)
Changes in marketable securities and other current financial assets and liabilities	(11)		(11)
Net cash provided by/ (used in) financing activities	180	-	180
Net increase/(decrease) in cash and cash equivalents	151		151
Cash and cash equivalents at the beginning of the period	2,091		2,091
Net effect of exchange rate variations	(49)		(49)
Other changes	2		2
Cash and cash equivalents at the end of the period	2,195	-	2,195
<i>Income tax paid</i>	<i>(240)</i>		<i>(240)</i>
<i>Net of interests paid & received</i>	<i>(186)</i>		<i>(186)</i>

Consolidated statement of changes in equity restated

<i>(in € million, except for number of shares)</i>	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 2012 PUBLISHED	294,533,680	2,062	622	3,226	(1,583)	4,327	107	4,434
<i>Impacts IAS 19R</i>				(71)	52	(19)	-	(19)
AT 31 MARCH 2012 RESTATED	294,533,680	2,062	622	3,155	(1,531)	4,308	107	4,415
Movements in other comprehensive income (published)					(191)	(191)	(1)	(192)
Net income for the period				802		802	16	818
<i>Impacts IAS 19R</i>				(34)	36	2	-	2
Total comprehensive income				768	(155)	613	15	628
Change in controlling interests and other	8	-	-	(54)	-	(54)	(19)	(73)
Dividends paid	-	-	-	(236)	-	(236)	(10)	(246)
Issue of ordinary shares	13,133,208	92	251			343		343
Issue of ordinary shares under long term incentive plans	491,230	3	2	-	-	5	-	5
Recognition of equity settled share-based payments	-	-	-	15	-	15	-	15
AT 31 MARCH 2013 RESTATED	308,158,126	2,157	875	3,648	(1,686)	4,994	93	5,087
<i>Impacts IAS 19R</i>	-	-	-	105	(88)	17	-	17
AT 31 MARCH 2013 PUBLISHED	308,158,126	2,157	875	3,753	(1,774)	5,011	93	5,104

NOTE 4 • SCOPE OF CONSOLIDATION

The Group did not undertake any significant acquisition or disposal within the period.

NOTE 5 • SEGMENT INFORMATION

5.1. Key indicators by operating segment

AT 31 MARCH 2014

<i>(in € million)</i>	Thermal Power	Renewable Power	Grid	Transport	Corporate & Others	Eliminations	Total
Sales	8,840	1,835	3,877	5,879	-	(162)	20,269
Inter Sector eliminations	(53)	(6)	(100)	(3)	-	162	-
Total Sales	8,787	1,829	3,777	5,876	-	-	20,269
Income (loss) from operations	930	82	211	330	(129)	-	1,424
Earnings (loss) before interest and taxes	854	2	169	252	(269)	-	1,008
Financial income (expense)							(308)
Income tax							(163)
Share in net income of equity investments							29
NET PROFIT							566
Segment assets ⁽¹⁾	9,990	3,086	5,072	6,916	993	-	26,057
Deferred taxes (assets)							1,647
Prepaid employee defined benefit costs							22
Financial assets							2,702
TOTAL ASSETS							30,428
Segment liabilities ⁽²⁾	7,216	1,641	2,972	5,035	1,032	-	17,896
Deferred taxes (liabilities)							176
Accrued employee defined benefit costs							1,526
Financial debt							5,721
Total equity							5,109
TOTAL EQUITY AND LIABILITIES							30,428
Capital employed ⁽³⁾	2,774	1,445	2,100	1,881	(39)	-	8,161
Capital expenditure	(282)	(211)	(104)	(191)	(56)	-	(844)
Depreciation and amortisation in EBIT	222	40	86	144	52	-	544

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates 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. For Thermal Power, segment assets include assets held for sale.

(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

(3) Capital employed corresponds to segment assets *minus* segment liabilities.

AT 31 MARCH 2013 ⁽¹⁾

<i>(in € million)</i>	Thermal Power	Renewable Power	Grid	Transport	Corporate & Others	Eliminations	Total
Sales	9,252	1,808	3,922	5,461	-	(174)	20,269
Inter Sector eliminations	(73)	(5)	(93)	(3)	-	174	-
Total Sales	9,179	1,803	3,829	5,458	-	-	20,269
Income (loss) from operations	959	88	238	297	(119)	-	1,463
Earnings (loss) before interest and taxes	917	(10)	140	287	(145)	-	1,189
Financial income (expense)							(266)
Income tax							(186)
Share in net income of equity investments							47
NET PROFIT							784
Segment assets ⁽²⁾	10,835	3,106	5,462	6,648	1,227	-	27,278
Deferred taxes (assets)							1,720
Prepaid employee defined benefit costs							16
Financial assets							2,613
TOTAL ASSETS							31,627
Segment liabilities ⁽³⁾	8,571	1,906	3,280	4,724	1,146	-	19,627
Deferred taxes (liabilities)							284
Accrued employee defined benefit costs							1,674
Financial debt							4,955
Total equity							5,087
TOTAL EQUITY AND LIABILITIES							31,627
Capital employed ⁽⁴⁾	2,264	1,200	2,182	1,924	81	-	7,651
Capital expenditure	(238)	(166)	(113)	(175)	(46)	-	(738)
Depreciation and amortisation in EBIT	225	34	134	125	44	-	562

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates 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.

(3) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

(4) Capital employed corresponds to segment assets *minus* segment liabilities.

5.2. Key indicators by geographic area

SALES BY COUNTRY OF DESTINATION

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013
Western Europe	6,603	6,571
<i>thereof France</i>	2,020	2,168
Eastern Europe	2,178	1,953
North America	2,417	2,583
<i>thereof USA</i>	1,596	1,689
South & Central America	1,524	1,561
Asia & Pacific	4,281	4,478
Middle-East & Africa	3,266	3,123
TOTAL GROUP	20,269	20,269

NON-CURRENT ASSETS BY COUNTRY OF ORIGIN

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013
Western Europe ⁽¹⁾	9,071	9,280
<i>thereof France</i> ⁽²⁾	2,723	2,957
Eastern Europe	604	245
North America	624	707
<i>thereof USA</i>	524	588
South & Central America	234	201
Asia & Pacific	839	885
Middle-East & Africa	55	46
TOTAL GROUP	11,427	11,364

(1) This amount includes goodwill of Thermal Power & Renewable Power Sectors. It also includes assets held for sale.

(2) This amount includes goodwill of Grid Sector.

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.

5.3. Information about major customers

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

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NOTE 6 • RESEARCH AND DEVELOPMENT EXPENDITURE

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013
Research and development expenses	(733)	(737)
Development costs capitalised during the period (see Note 11.2)	(279)	(233)
Amortisation expense of capitalised development costs (see Note 11.2)	111	82
Amortisation of acquired technology (see Note 11.2)	86	94
TOTAL RESEARCH AND DEVELOPMENT EXPENDITURE	(815)	(794)

During the fiscal year ended 31 March 2014, the Group invested €815 million in research and development in order to extend its existing product offering and to foster innovation in high-growth markets. These research and development programmes relate mainly to:

- the ongoing development of the range of gas turbines;
- the improvement of Transport Sector product offering (Urbalis fluence, new Citadis, etc.);

- the development of Haliade™ offshore wind turbines and Tidal turbines;
- further development of High Voltage Direct Current (HVDC) and digital substation technologies in the fields of Super Grid and Smart Grid.

NOTE 7 • OTHER INCOME AND OTHER EXPENSE

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013 ⁽¹⁾
Capital gains on disposal of businesses	27	6
Other income	27	6
Capital losses on disposal of businesses	(3)	(50)
Restructuring and rationalisation costs	(220)	(137)
Impairment loss	(70)	(37)
Other	(150)	(56)
Other expense	(443)	(280)
OTHER INCOME (EXPENSE)	(416)	(274)

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

Other income comprises capital gain arising from Ring Motors business disposal following Renewable Power decision to concentrate its Bilbao site on activities directly related to hydropower.

Restructuring costs derive from the adaptation of the Group's footprint in order to take into account the lower demand in developed countries, mainly in Europe, and the situation of global overcapacity faced in some segments.

Rationalisation costs are linked to the Group-wide cost competitiveness plan called D2E (Dedicated to Excellence).

Non-recurring impairment losses concern primarily the Transport Sector for €20 million and Renewable Power for €46 million (wind business) for the year ended 31 March 2014.

The line "Other" in "Other expense" mainly derives from costs of legal proceedings that have arisen outside the ordinary course of business (see Note 30.2).

NOTE 8 • FINANCIAL INCOME (EXPENSE)

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013 ⁽¹⁾
Interest income	18	29
Net exchange gain	4	-
Other financial income	6	7
Financial income	28	36
Interest expense	(217)	(194)
Net financial expense from employee defined benefit plans (see Note 24.7)	(69)	(68)
Net exchange loss	-	(5)
Other financial expense	(50)	(35)
Financial expense	(336)	(302)
FINANCIAL INCOME (EXPENSE)	(308)	(266)
<i>Out of which:</i>		
• Financial income/(expense) arising from financial instruments (see Note 26.1)	(239)	(195)

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

Interest income of €18 million represents the remuneration of the Group's cash position over the period.

Interest expense of €(217) million represents the cost of the gross financial debt.

Net financial expense from employee defined benefit plans of €(69) million represents the interest cost on obligations net of the interest income on plan assets calculated using the same rate (see Note 24.7).

Other financial expense of €(50) million include fees and commitment fees paid on guaranteed facilities, syndicated loans and other financing facilities for €(26) million *versus* €(19) million for the fiscal year ended 31 March 2013.

NOTE 9 • TAXATION

9.1. Analysis of income tax charge

The following table summarises the components of income tax charge:

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013 ⁽¹⁾
Current income tax charge	(326)	(266)
Deferred income tax charge	163	80
Income tax charge	(163)	(186)
EFFECTIVE TAX RATE	23%	20%

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

For the period ended 31 March 2014, the effective tax rate is 23% and includes the effect of recent tax measures in France (exceptional contribution of 10.7% and the 3.0% dividend tax).

Note that the effective tax rate may change from one year to another, notably based on the following events:

- the geographical mix of income before taxes;

- the Group's ability to recognise deferred tax assets and to use its tax loss carry forwards and;
- the outcome of income tax audits;
- changes on local regulations.

9.2. Effective income tax rate

The following table provides reconciliation from the income tax charge valued at the French statutory rate to the actual income tax charge:

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013 ⁽¹⁾
Pre-tax income	700	923
Statutory income tax rate of the parent company ⁽²⁾	34.43%	34.43%
Expected tax charge	(241)	(318)
Impact of:		
• Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	112	137
• Transactions liable for reduced tax rate	9	(20)
• Changes in unrecognised deferred tax assets	76	2
• Changes in tax rates	(7)	(10)
• Additional tax expenses (withholding tax, CVAE in France and IRAP in Italy)	(71)	(68)
• Permanent differences and other ⁽³⁾	(41)	91
Income tax charge	(163)	(186)
EFFECTIVE TAX RATE	23%	20%

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) Free of the temporary additional contributions.

(3) Including operations of internal reorganisation.

For the year ended 31 March 2014, the difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France arises mainly from Switzerland, United Kingdom and China.

9.3. Deferred tax assets and liabilities

	At 31 March 2014	At 31 March 2013 ⁽¹⁾
Deferred tax assets	1,647	1,720
Deferred tax liabilities	(176)	(284)
DEFERRED TAX ASSETS, NET	1,471	1,436

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

9.4. Changes in net deferred tax assets

Net deferred tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table summarises the significant components of the Group's net deferred tax assets:

<i>(in € million)</i>	At 31 March 2013 ⁽¹⁾	Change in P&L	Change in equity ⁽²⁾	Changes in consolidation scope	Translation adjustments and other changes	At 31 March 2014
Differences between carrying amount and tax basis of tangible and intangible assets	(93)	92	-	-	5	4
Accruals for employee benefit costs not yet deductible	287	9	(54)	-	(2)	240
Provisions and other accruals not yet deductible	516	25	-	-	(98)	443
Differences in recognition of margin on construction contracts	(133)	(29)	-	-	78	(84)
Tax loss carry forwards	878	49	-	-	(27)	900
Other	(19)	17	4	-	(34)	(32)
NET DEFERRED TAX ASSETS/(LIABILITIES)	1,436	163	(50)	-	(78)	1,471

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) Mainly related to actuarial gains and losses directly recognised in equity (see consolidated statement of comprehensive income).

<i>(in € million)</i>	At 31 March 2012 ⁽¹⁾	Change in P&L	Change in equity ⁽²⁾	Changes in consolidation scope	Translation adjustments and other changes	At 31 March 2013 ⁽¹⁾
Differences between carrying amount and tax basis of tangible and intangible assets	(150)	83	-	11	(37)	(93)
Accruals for employee benefit costs not yet deductible	252	(9)	47	-	(3)	287
Provisions and other accruals not yet deductible	500	53	-	-	(37)	516
Differences in recognition of margin on construction contracts	(279)	48	-	-	98	(133)
Tax loss carry forwards	1,035	(106)	-	-	(51)	878
Other	(52)	11	(2)	(4)	28	(19)
NET DEFERRED TAX ASSETS/(LIABILITIES)	1,306	80	45	7	(2)	1,436

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) Mainly related to actuarial gains and losses directly recognised in equity (see consolidated statement of comprehensive income).

The Group is confident in its ability to recover its net deferred tax assets at 31 March 2014 (€1,471 million) on the basis of an extrapolation of its latest three-year business plan and its strategy for the long-term recovery of tax losses in each country.

Deferred tax assets still unrecognised amount to €1,113 million at 31 March 2014 (€1,255 million at 31 March 2013). Most of these unrecognised deferred taxes are originated from tax losses carried forward (€975 million at 31 March 2014 and €1,052 million at 31 March 2013), out of which €631 million are not subject to expiry at 31 March 2014 (€491 million at 31 March 2013).

NOTE 10 • EARNINGS PER SHARE

10.1. Earnings

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013 ⁽¹⁾
Net Profit attributable to equity holders of the parent	556	768
Earnings attributable to equity holders of the parent used to calculate basic and diluted earnings per share	556	768

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

10.2. Number of shares

	Year ended	
	31 March 2014	31 March 2013
Weighted average number of ordinary shares used to calculate basic earnings per share (see Note 21.1)	308,559,756	301,376,784
Effect of dilutive instruments other than bonds reimbursable with shares:		
• Stock options and performance shares ^(*) (LTI plan)	2,948,209	2,724,963
• Performance shares (Alstom Sharing plans)	113,406	226,044
Weighted average number of ordinary shares used to calculate diluted earnings per share (see Note 21.1)	311,621,371	304,327,791

(*) Stock options taken into consideration in the calculation of the diluted earnings per share only relate to plans 7 and 8. Plans 9, 10, 12, 13, 14, 15 and 16 are being out of money as at 31 March, 2014 (see Note 22.1.).

10.3. Earnings per share

(in €)	Year ended	
	31 March 2014	31 March 2013 ⁽¹⁾
Basic earnings per share	1.80	2.55
Diluted earnings per share	1.78	2.52

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

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.

11.1. Goodwill

(in € million)	At 31 March 2013	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2014
Thermal Power	3,221	-	-	(317)	2,904
Renewable Power	489	55	(12)	-	532
Transport	691	-	-	(5)	686
Grid	1,135	31	-	(7)	1,159
GOODWILL	5,536	86	(12)	(329)	5,281
<i>Of which:</i>					
Gross value	5,536	86	(12)	(329)	5,281
Impairment	-	-	-	-	-

Movements over the period arose from:

- the acquisition of Tidal Generation Limited business, specialized in tidal stream turbines which capture and convert the energy of tidal streams to generate electrical power; and the disposal of Ring Motors business, in the Renewable Power Sector;
- the acquisition of Reason Tecnologia SA, in Brazil, specialized in measurement and substation automation network products for transmission and distribution clients, in the Grid Sector.

Translation adjustments and other changes include primarily the transfer to assets held for sale relating to the contemplated disposal of auxiliary components business (see Note 28).

<i>(in € million)</i>	At 31 March 2012	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2013
Thermal Power	3,208	-	(3)	16	3,221
Renewable Power	489	-	-	-	489
Transport	661	29	-	1	691
Grid	1,125	9	-	1	1,135
GOODWILL	5,483	38	(3)	18	5,536
<i>Of which:</i>					
Gross value	5,483	38	(3)	18	5,536
Impairment	-	-	-	-	-

Goodwill impairment test

As of 31 March 2014, Alstom tested the value of goodwill allocated to its groups of Cash Generating Units (CGU) applying valuation methods consistent with previous years. Alstom ensured that the recoverable amount of its groups of CGU exceeded their carrying value (including goodwill).

Presentation of key assumptions used for the determination of recoverable amounts

The value in use of each group of CGU 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 Sectors.

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 operating margin (corresponding to the ratio Income from Operations over Sales).

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

	Thermal Power	Renewable Power	Transport	Grid
Net carrying amount of goodwill at 31 March 2014 <i>(in € million)</i>	2,904	532	686	1,159
Value elected as representative of the recoverable value	value in use	value in use	value in use	value in use
Number of years over which cash flow estimates are available	3 years	3 years	3 years	3 years
Extrapolation period of cash flow estimates	2 years	2 years	2 years	2 years
Long-term growth rate at 31 March 2014	2.0%	2.0%	1.5%	2.0%
Long-term growth rate at 31 March 2013	2.0%	2.0%	1.5%	2.0%
After tax discount rate at 31 March 2014^(*)	8.4%	8.6%	8.5%	8.5%
After tax discount rate at 31 March 2013 ^(*)	9.0%	9.0%	9.0%	9.0%

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

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

<i>(in € million)</i>	Thermal Power		Renewable Power		Transport		Grid	
	-25 bp	+25 bp	-25 bp	+25 bp	-25 bp	+25 bp	-25 bp	+25 bp
Operating margin (terminal value)	(189)	189	(56)	56	(153)	153	(79)	79
	-25 bp	+25 bp	-25 bp	+25 bp	-25 bp	+25 bp	-25 bp	+25 bp
After tax discount rate	345	(319)	70	(65)	144	(134)	101	(93)
	-10 bp	+10 bp	-10 bp	+10 bp	-10 bp	+10 bp	-10 bp	+10 bp
Long-term growth rate	(122)	125	(22)	23	(44)	45	(31)	32

As of 31 March 2014, the recoverable amounts of the four Sectors exceeded their 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

<i>(in € million)</i>	At 31 March 2013	Additions/ Disposals/ Amortisation	Changes in consolidation scope	Translation adjustments and other changes	At 31 March 2014
Development costs	1,900	270	-	41	2,211
Acquired technology	1,422	-	7	(39)	1,390
Other intangible assets	822	44	1	(9)	858
Gross value	4,144	314	8	(7)	4,459
Development costs	(724)	(117)	-	(1)	(842)
Acquired technology	(842)	(86)	-	-	(928)
Other intangible assets	(596)	(43)	-	4	(635)
Amortisation and impairment	(2,162)	(246)	-	3	(2,405)
Development costs	1,176	153	-	40	1,369
Acquired technology	580	(86)	7	(39)	462
Other intangible assets	226	1	1	(5)	223
NET VALUE	1,982	68	8	(4)	2,054

<i>(in € million)</i>	At 31 March 2012	Additions/ Disposals/ Amortisation	Changes in consolidation scope	Translation adjustments and other changes	At 31 March 2013
Development costs	1,686	233	-	(19)	1,900
Acquired technology	1,422	-	-	-	1,422
Other intangible assets	697	36	13	76	822
Gross value	3,805	269	13	57	4,144
Development costs	(657)	(82)	-	15	(724)
Acquired technology	(748)	(94)	-	-	(842)
Other intangible assets	(479)	(70)	1	(48)	(596)
Amortisation and impairment	(1,884)	(246)	1	(33)	(2,162)
Development costs	1,029	151	-	(4)	1,176
Acquired technology	674	(94)	-	-	580
Other intangible assets	218	(34)	14	28	226
NET VALUE	1,921	23	14	24	1,982

Amortisation expenses of capitalised development costs include impairments of technology in the Transport and the Renewable Power Sectors as of 31 March 2014.

Technology and licence agreements acquired through the combination with ABB ALSTOM POWER in 1999 and 2000 and through the combination with Grid activities in 2010 represent the bulk of the gross amount reported as acquired technology.

NOTE 12 • PROPERTY, PLANT AND EQUIPMENT

<i>(in € million)</i>	At 31 March 2013	Acquisitions/ Amortisation/ Impairments	Disposals	Changes in consolidation scope	Translation adjustments and other changes(*)	At 31 March 2014
Land	196	5	(4)	-	(10)	187
Buildings	1,923	157	(47)	-	(64)	1,969
Machinery and equipment	2,951	210	(87)	(6)	(91)	2,977
Constructions in progress	392	110	(4)	-	(129)	369
Tools, furniture, fixtures and other	496	28	(27)	1	(14)	484
Gross value	5,958	510	(169)	(5)	(308)	5,986
Land	(10)	(1)	-	-	-	(11)
Buildings	(736)	(86)	37	-	42	(743)
Machinery and equipment	(1,852)	(173)	79	4	92	(1,850)
Constructions in progress	-	(1)	-	-	1	-
Tools, furniture, fixtures and other	(336)	(46)	24	(1)	9	(350)
Amortisation and impairment	(2,934)	(307)	140	3	144	(2,954)
Land	186	4	(4)	-	(10)	176
Buildings	1,187	71	(10)	-	(22)	1,226
Machinery and equipment	1,099	37	(8)	(2)	1	1,127
Constructions in progress	392	109	(4)	-	(128)	369
Tools, furniture, fixtures and other	160	(18)	(3)	-	(5)	134
NET VALUE	3,024	203	(29)	(2)	(164)	3,032

(*) €(164) million of which translation adjustments for an amount of €(149) million.

<i>(in € million)</i>	At 31 March 2012	Acquisitions/ Amortisation/ Impairments	Disposals	Changes in consolidation scope	Translation adjustments and other changes	At 31 March 2013
Land	195	4	(7)	-	4	196
Buildings	1,760	61	(24)	63	63	1,923
Machinery and equipment	2,842	155	(155)	5	104	2,951
Constructions in progress	334	188	(4)	-	(126)	392
Tools, furniture, fixtures and other	584	42	(56)	(1)	(73)	496
Gross value	5,715	450	(246)	67	(28)	5,958
Land	(9)	-	(1)	-	-	(10)
Buildings	(673)	(77)	18	3	(7)	(736)
Machinery and equipment	(1,798)	(179)	126	4	(5)	(1,852)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(383)	(44)	48	1	42	(336)
Amortisation and impairment	(2,863)	(300)	191	8	30	(2,934)
Land	186	4	(8)	-	4	186
Buildings	1,087	(16)	(6)	66	56	1,187
Machinery and equipment	1,044	(24)	(29)	9	99	1,099
Constructions in progress	334	188	(4)	-	(126)	392
Tools, furniture, fixtures and other	201	(2)	(8)	-	(31)	160
NET VALUE	2,852	150	(55)	75	2	3,024

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

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013
Land	13	13
Buildings	50	63
Machinery and equipment	1	1
Tools, furniture, fixtures and other	18	13
NET VALUE OF TANGIBLE ASSETS HELD UNDER FINANCE LEASES	82	90

Commitments to purchase fixed assets amount to €95 million at 31 March 2014. They notably arise from the construction of a facility in India as well as the Saint Nazaire facility dedicated to the wind business.

NOTE 13 • ASSOCIATES AND NON-CONSOLIDATED INVESTMENTS

13.1. Associates

Financial information on associates

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013	At 31 March 2014 % ownership
The Breakers Investment B.V. (Transmashholding)	372	388	25%
BrightSource Energy	-	106	
Other ^(*)	88	103	
TOTAL ASSOCIATES	460	597	

(*) No other investment's net value individually exceeds €25 million.

Breakers Investment B.V. is the most significant associate, which summarized financial statements are the following:

<i>(in € million)</i>	Closing date	Total assets at closing date	Total liabilities at closing date	Total revenues	Total net profit (loss)
The Breakers Investment B.V. (Transmashholding) ^(*)	31 December 2013	2,350	1,061	3,465	336

(*) The Breakers Investment B.V. consolidated financial statements have been prepared in accordance with IFRS and translated at the rates used by Alstom as at 31 March 2014.

Movements in the period

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013
Opening balance	597	377
Share in net income/(loss) of equity investments	52	47
Impairment ⁽¹⁾	(23)	-
Share in net income/(loss) of equity investments	29	47
Dividends	(36)	(29)
Acquisitions	15	80
Transfers related to changes in consolidation method ⁽²⁾	(100)	118
Translation adjustments and other	(45)	4
CLOSING BALANCE	460	597

(1) Impairment relates to SEC Alstom Shanghai Lingang (Grid Sector) for €(13) million and AWS Ocean Energy Limited (Renewable Power Sector) for €(9) million, disposed of over the period.

(2) Of which BrightSource Energy investment which is accounted for as a non-consolidated investment as at 31 March 2014, given the limited effective influence and financial information available.

13.2. Non-consolidated investments

Financial information on non-consolidated investments

<i>(in € million)</i>	At 31 March 2014			At 31 March 2013	At 31 March 2014
	Gross value	Impairment/Fair Value Change	Net	Net	% ownership
Tidal Generation Ltd ⁽¹⁾	-	-	-	50	100.0%
BrightSource Energy ⁽²⁾	106	(23)	83	-	26.1%
SEC Alstom (Shanghai Baoshan) Transformers Co., Ltd	20	-	20	-	50.0%
Other ⁽³⁾	65	(8)	57	51	
TOTAL	191	(31)	160	101	

(1) Alstom has completed the acquisition of Tidal Generation Limited which is now fully consolidated.

(2) Percentage of ownership: 21.05% fully diluted.

(3) No other investment's net value individually exceeds €15 million.

Movements in the period

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013
Opening balance	101	154
Change in fair value ⁽¹⁾	(15)	(1)
Acquisitions	7	62
Transfers related to changes in consolidation method ⁽²⁾	73	(114)
Translation adjustments and other	(6)	-
CLOSING BALANCE	160	101

(1) Variation recorded in other comprehensive income as fair value gains/(losses) on assets available for sale.

(2) Of which BrightSource Energy investment which is accounted for as a non-consolidated investment as at 31 March 2014, given the limited effective influence and financial information available.

NOTE 14 • OTHER NON-CURRENT ASSETS

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013 ⁽¹⁾
Financial non-current assets associated to financial debt ⁽²⁾	364	382
Long-term loans, deposits and other	169	139
OTHER NON-CURRENT ASSETS	533	521

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 25 and 31). They are made up as follows:

- at 31 March 2014, €349 million receivables and €15 million deposit;
- at 31 March 2013, €368 million receivables and €14 million deposit.

NOTE 15 • INVENTORIES

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013
Raw materials and supplies	1,019	989
Work in progress	1,950	2,145
Finished products	320	354
Inventories, gross	3,289	3,488
Raw materials and supplies	(150)	(138)
Work in progress	(124)	(157)
Finished products	(38)	(49)
Write-down	(312)	(344)
INVENTORIES, NET	2,977	3,144

Changes in inventory write-down recognised as income for the year ended 31 March 2014 amount to €26 million (€9 million income for the year ended 31 March 2013).

NOTE 16 • CONSTRUCTION CONTRACTS IN PROGRESS

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013	Variation
Construction contracts in progress, assets	3,967	4,158	(191)
Construction contracts in progress, liabilities	(8,458)	(9,909)	1,451
CONSTRUCTION CONTRACTS IN PROGRESS	(4,491)	(5,751)	1,260

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013	Variation
Contracts costs incurred plus recognised profits less recognised losses to date	61,394	58,511	2,883
Less progress billings	(62,540)	(61,084)	(1,456)
Construction contracts in progress excluding down payments received from customers	(1,146)	(2,573)	1,427
Down payments received from customers	(3,345)	(3,178)	(167)
CONSTRUCTION CONTRACTS IN PROGRESS	(4,491)	(5,751)	1,260

NOTE 17 • TRADE RECEIVABLES

<i>(in € million)</i>	Total	No past due on the closing date	Past due on the closing date		
			Less than 60 days	Between 60 and 180 days	More than 180 days
At 31 March 2014	4,483	3,553	316	196	418
• o/w gross	4,602	3,595	323	196	488
• o/w impairment	(119)	(42)	(7)	-	(70)
At 31 March 2013	5,285	4,287	350	261	387
• o/w gross	5,394	4,307	351	265	471
• o/w impairment	(109)	(20)	(1)	(4)	(84)

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.

NOTE 18 • OTHER CURRENT OPERATING ASSETS

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013
Down payments made to suppliers	525	735
Corporate income tax	216	184
Other taxes	866	842
Prepaid expenses	238	236
Other receivables	392	408
Derivatives relating to operating activities	419	333
Remeasurement of hedged firm commitments in foreign currency	547	590
OTHER CURRENT OPERATING ASSETS	3,203	3,328

NOTE 19 • MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013
Derivatives related to financing activities	18	35
Marketable securities	-	1
MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS	18	36

NOTE 20 • WORKING CAPITAL

20.1. Balance sheet positions

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013	Variation
Inventories	2,977	3,144	(167)
Construction contracts in progress, assets	3,967	4,158	(191)
Trade receivables	4,483	5,285	(802)
Other current operating assets	3,203	3,328	(125)
ASSETS	14,630	15,915	(1,285)
Non-current provisions	710	680	30
Current provisions	1,191	1,309	(118)
Construction contracts in progress, liabilities	8,458	9,909	(1,451)
Trade payables	3,866	4,041	(175)
Other current operating liabilities	3,671	3,688	(17)
LIABILITIES	17,896	19,627	(1,731)
WORKING CAPITAL	(3,266)	(3,712)	446

20.2. Analysis of variation in working capital

(in € million)

	Year ended 31 March 2014
Working capital at the beginning of the period	(3,712)
Changes in working capital resulting from operating activities ⁽¹⁾	300
Changes in working capital resulting from investing activities ⁽²⁾	56
Translation adjustments and other changes	90
Total changes in working capital	446
WORKING CAPITAL AT THE END OF THE PERIOD	(3,266)

(1) Item presented within "net cash provided by/(used in) operating activities" in the consolidated statement of cash flows.

(2) Item presented within "net cash provided by/(used in) investing activities" in the consolidated statement of cash flows.

NOTE 21 • 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 net debt.

21.1. Movements in share capital

Movements in financial year ended 31 March 2014

At 31 March 2014, the share capital of ALSTOM amounted to €2,160,915,022 consisting of 308,702,146 ordinary shares with a par value of €7 each. For the year ended 31 March 2014, the weighted average number of outstanding ordinary shares amounted to 308,559,756 after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions" and to 311,621,371 after the effect of all dilutive instruments.

During the year ended 31 March 2014:

- 1,616 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 101 shares at a par value of €7. The 79,650 bonds reimbursable with shares outstanding at 31 March 2014 represent 5,002 shares to be issued;
- 543,919 of ordinary shares were issued under long term incentive plans.

Movements in financial year ended 31 March 2013

At 31 March 2013, the share capital of ALSTOM amounted to €2,157,106,882 consisting of 308,158,126 ordinary shares with a par value of €7 each. For the year ended 31 March 2013, the weighted average number of outstanding ordinary shares amounted to 301,376,784 after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions" and to 304,327,791 after the effect of all dilutive instruments.

As of 4 October 2012, ALSTOM SA ("the Company") completed a €350 million share capital increase through a private placement to institutional investors. 13,133,208 new shares were issued at a subscription price of €26.65 per share.

During the year ended 31 March 2013, 128 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 8 shares at a par value of €7. The 81,266 bonds reimbursable with shares outstanding at 31 March 2013 represent 5,104 shares to be issued.

21.2. Distribution of dividends

In respect of the financial year ended 31 March 2014, it will be proposed to the Shareholders' Meeting called on 1 July 2014 not to distribute dividends.

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

- year ended 31 March 2013 (decision of Shareholders' Meeting held on 2 July 2013): total amount of €259 million, corresponding to a €0.84 dividend per share;
- year ended 31 March 2012 (decision of Shareholders' Meeting held on 26 June 2012): total amount of €236 million, corresponding to a €0.80 dividend per share;
- year ended 31 March 2011 (decision of Shareholders' Meeting held on 28 June 2011): total amount of €183 million, corresponding to a €0.62 dividend per share.

21.3. Currency translation adjustment

The currency translation adjustment, presented within the consolidated statement of comprehensive income, primarily reflects the variation of the Brazilian Real (€(85) million), Russian Federation Rouble (€(65) million), Indian Rupee (€(50) million), US Dollar (€(47) million) and Chinese Yuan (€(36)million) against the euro for the year ended 31 March 2014.

NOTE 22 • SHARE-BASED PAYMENTS

22.1. 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			
	Plan n°7 stock options	Plan n°8 stock options	Plan n°9 stock options	Plan n°10 stock options	Plan n°10 performance shares	Plan n°11 stock options	Plan n°11 performance shares
Grant date	17/09/2004	27/09/2005	28/09/2006	25/09/2007	25/09/2007	23/09/2008	23/09/2008
Exercise period	17/09/2007 16/09/2014	27/09/2008 26/09/2015	28/09/2009 27/09/2016	25/09/2010 24/09/2017	N/A	23/09/2011 22/09/2018	N/A
Number of beneficiaries	1,007	1,030	1,053	1,196	1,289	411	1,431
Adjusted number granted ⁽¹⁾	5,566,000	2,803,000	3,367,500	1,697,200	252,000	754,300	445,655
Adjusted number exercised since the origin	4,790,121	1,874,171	526,967	1,000	220,320	-	-
Adjusted number cancelled since the origin	417,200	266,800	396,250	236,800	31,680	754,300	445,655
Adjusted number outstanding at 31 March 2014	358,679	662,029	2,444,283	1,459,400	-	-	-
inc. to the present members of the Executive Committee	-	-	325,000	171,100	-	-	-
Adjusted exercise price ⁽²⁾ (in €)	8.60	17.88	37.33	67.50	N/A	66.47	N/A
Fair value at grant date (in €)	7.30	10.30	12.90	29.24	129.20	16.71	63.54

(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).

At 31 March 2014, stock options granted by plans 7, 8, 9, 10, 11, 12 and 13 are fully vested. For plans 7, 8, 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.

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

LTI plan 13 granted on 13 December 2010

The total number of options exercisable and performance shares to be delivered depends on the Group's operating margin for the fiscal years ended 31 March 2011, 31 March 2012 and 31 March 2013:

	% of options exercisable & performance shares to be delivered		
	Year ended 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

Based on consolidated financial statements for the fiscal years ended 31 March 2011, 31 March 2012 and 31 March 2013, the performance condition is achieved for 80% of an allotment of LTIP13 options and performance shares. 20% of options and performance shares are cancelled.

Plans issued by Shareholders Meeting on 26 June 2007		Plans issued by Shareholders Meeting on 22 June 2010							
Plan n°12 stock options	Plan n°12 performance shares	Plan n°13 stock options	Plan n°13 performance shares	Plan n°14 stock options	Plan n°14 performance shares	Plan n°15 stock options	Plan n°15 performance shares	Plan n°16 stock options	Plan n°16 performance shares
21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013
21/09/2012		13/12/2013		04/10/2014		10/12/2015		03/10/2016	
20/09/2017	N/A	12/12/2018	N/A	03/10/2019	N/A	09/12/2020	N/A	30/09/2021	N/A
436	1,360	528	1,716	514	1,832	538	1,763	292	1,814
871,350	522,220	1,235,120	740,860	1,369,180	804,040	1,312,690	781,540	671,700	1,000,700
-	182,432	-	240,770	-	460	-	-	-	-
556,270	339,788	367,808	223,658	418,428	228,308	181,993	103,948	10,000	23,800
315,080	-	867,312	276,432	950,752	575,272	1,130,697	677,592	661,700	976,900
50,100	-	107,320	736	300,000	34,400	306,000	38,700	275,000	110,000
49.98	N/A	33.14	N/A	26.39	N/A	27.70	N/A	26.94	N/A
11.26	48.11	7.59	31.35	3.14	19.77	5.80	26.70	3.84	22.62

LTI plan 14 granted on 4 October 2011

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the fiscal years ended 31 March 2012, 31 March 2013 and 31 March 2014:

	% of options exercisable & performance shares to be delivered		
	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

Based on consolidated financial statements for the fiscal years ended 31 March 2012, 31 March 2013 and 31 March 2014, the performance condition is achieved for 70% of an allotment of LTIP14 options and performance shares. 20% of options and performance shares are cancelled, 10% of options and performance shares would be cancelled after the Board of Directors on 6 May 2014.

LTI plan 15 granted on 10 December 2012

The total number of options exercisable and performance shares to be delivered will depend 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:

Year ended 31 March 2013	Year ended 31 March 2014	Year ended 31 March 2015
% of Conditional Options exercisable & performance shares to be delivered	% of Conditional Options exercisable & performance shares to be delivered	% of Conditional Options exercisable & performance shares to be delivered
FCF \geq 0 and OM \geq 7.4% 40%	FCF \geq 0 and OM \geq 7.6% 40%	FCF \geq 0 and OM \geq 8% 20%
FCF \geq 0 and 7.2% \leq OM < 7.4% 30%	FCF \geq 0 and 7.3% \leq OM < 7.6% 30%	FCF \geq 0 and 7.5% \leq OM < 8% 10%
FCF \geq 0 and 7% \leq OM < 7.2% 10%	FCF \geq 0 and 7% \leq OM < 7.3% 10%	FCF < 0 or OM < 7.5% -
FCF < 0 or OM < 7% -	FCF < 0 or OM < 7% -	-

FCF means Free Cash Flow and OM means Operating Margin.

Based on consolidated financial statements for the fiscal years ended 31 March 2013 and 31 March 2014, the performance condition is achieved for 30% of an allotment of LTIP15 options and performance shares. 10% of options and performance shares are cancelled. 40% of options and performance shares would be cancelled after the Board of Directors on 6 May 2014.

LTI plan 16 granted on 1 October 2013

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin and the free cash flow for the fiscal years ended 31 March 2015 and 31 March 2016:

Year ended 31 March 2015	Year ended 31 March 2016
% of Conditional Options exercisable & performance shares to be delivered	% of Conditional Options exercisable & performance shares to be delivered
FCF \geq 0 and OM \geq 7.4% 40%	FCF \geq 0 and OM \geq 7.8% 60%
FCF \geq 0 and 7.2% \leq OM < 7.4% 20%	FCF \geq 0 and 7.6% \leq OM < 7.8% 40%
FCF < 0 or OM < 7.2% -	FCF \geq 0 and 7.4% \leq OM < 7.6% 20%
	FCF < 0 or OM < 7.4% -

FCF means Free Cash Flow and OM means Operating Margin.

Movements

	Number of options	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2012	8,727,837	37.42	1,920,930
Granted	1,312,690	27.70	781,540
Exercised	(411,504)	12.95	(79,648)
Cancelled	(885,445)	42.32	(497,975)
Outstanding at 31 March 2013	8,743,578	36.58	2,124,847
Granted	671,700	26.94	1,000,700
Exercised	(122,912)	11.61	(340,344)
Cancelled	(442,434)	29.58	(279,007)
OUTSTANDING AT 31 MARCH 2014	8,849,932	36.49	2,506,196
of which exercisable	6,106,783		N/A

Valuation

	Plan n°11	Plan n°11	Plan n°12	Plan n°12	Plan n°13	Plan n°13	Plan n°14	Plan n°14	Plan n°15	Plan n°15	Plan n°16	Plan n°16
	stock options	performance shares	stock options	performance shares	stock options	performance shares	stock options	performance shares	stock options	performance shares	stock options	performance shares
Grant date	23/09/2008	23/09/2008	21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013
Expected life (in years)	3.5	2.5 or 4.0	3.5	2.5 or 4.0	3.5	2.5 or 4.0	4.0	2.5 or 4.0	4.0	2.5 or 4.0	3.0	4.0
End of vesting period		31/05/2011		31/05/2012		31/05/2013		31/05/2014		31/05/2015		
		or		or		or		or		or		
	22/09/2011	22/09/2012	20/09/2012	20/09/2013	12/12/2013	12/12/2014	03/10/2014	03/10/2015	09/12/2015	09/12/2016	30/09/2016	30/09/2017
Adjusted exercise price ^(*) (in €)	66.47	N/A	49.98	N/A	33.14	N/A	26.39	N/A	27.70	N/A	26.94	N/A
Share price at grant date (in €)	65.10	65.10	50.35	50.35	35.40	35.40	23.82	23.82	29.77	29.77	26.33	26.33
Volatility	30%	N/A	30%	N/A	31%	N/A	31%	N/A	30%	N/A	28%	N/A
		4.2%		1.6%		1.4%		1.1%		0.2%		
Risk free interest rate	4.1%	or 4.4%	2.0%	or 2.3%	1.8%	or 2.0%	1.5%	or 1.5%	0.5%	or 0.5%	0.9%	0.9%
Dividend yield	1.3%	1.3%	1.3%	1.3%	3.1%	3.1%	5.0%	5.0%	3.4%	3.4%	3.8%	3.8%

(*) 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).

The option valuation method follows a binomial mathematical model for plan 11 and a Black & Scholes model for plans 12, 13, 14, 15 and 16 with exercise of the options anticipated and spread over the exercise period on a straight-line basis. The volatility factor applied is an average of CAC40 comparable companies' volatility at the grant date.

The Group booked a total expense of €11 million for the year ended 31 March 2014 and €15 million for the year ended 31 March 2013.

22.2. Stock appreciation rights (“SARs”)

Key characteristics

	SARs n°7	SARs n°8	Notional SARs ⁽¹⁾	SARs n°9	SARs n°10
Grant date	01/12/2004	18/11/2005	16/12/2005	28/09/2006	25/09/2007
Vesting date	17/09/2007	27/09/2008	27/09/2008	28/09/2009	25/09/2010
Expiry date	16/09/2014	18/11/2015	26/09/2015	28/09/2016	24/09/2017
Number of beneficiaries	114	120	120	134	134
Adjusted number granted ⁽²⁾	478,000	234,000	232,000	341,250	59,700
Adjusted number exercised since the origin	408,948	138,150	195,000	172,500	5,600
Adjusted number cancelled since the origin	69,052	43,100	37,000	53,125	4,200
Ajusted number outstanding at 31 March 2014	-	52,750	-	115,625	49,900
Adjusted exercise price ⁽³⁾ (in €)	8.60	22.45	17.88	36.05	73.42

(1) Notional SARs have been granted at an exercise price of €17.88 and are capped at €22.45.

(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 2012	228,635	40.52
Granted	-	-
Exercised	(5,860)	16.82
Cancelled	-	-
Outstanding at 31 March 2013	222,775	41.04
Granted	-	-
Exercised	(4,500)	28.11
Cancelled	-	-
OUTSTANDING AT 31 MARCH 2014	218,275	41.31
of which exercisable	218,275	

Valuation

	SARs n°7	SARs n°8	Notional SARs ⁽¹⁾	SARs n°9	SARs n°10
Grant date	01/12/2004	18/11/2005	16/12/2005	28/09/2006	25/09/2007
Expected life (in years)	4	4	4	4	4
End of vesting period	17/09/2007	27/09/2008	27/09/2008	28/09/2009	24/09/2010
Adjusted exercise price ⁽²⁾ (in €)	8.60	22.45	17.88	36.05	73.42
Share price at 31 March 2014 (in €)	19.82	19.82	19.82	19.82	19.82
Share price at 31 March 2013 (in €)	31.75	31.75	31.75	31.75	31.75
Volatility	16.84%	16.84%	16.84%	16.84%	16.84%
Risk free interest rate	0.55%	0.55%	0.55%	0.55%	0.55%
Dividend yield	5.0%	5.0%	5.0%	5.0%	5.0%

(1) SARs of the Notional plan have been granted at an exercise price of €17.88 and are capped at €22.45.

(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.

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 profit and loss.

The Group booked a €1 million income for the year ended 31 March 2014, and a nil income for the year ended 31 March 2013.

NOTE 23 • PROVISIONS

<i>(in € million)</i>	At 31 March 2013	Additions	Releases	Applications	Change in consolidation scope	Translation adjustments and other	At 31 March 2014
Warranties	767	286	(179)	(216)	-	5	663
Litigations, claims and others	542	237	(132)	(112)	-	(7)	528
Current provisions	1,309	523	(311)	(328)	-	(2)	1,191
Tax risks & litigations	180	53	(33)	(5)	-	6	201
Restructuring	182	88	(25)	(81)	-	(2)	162
Other non-current provisions	318	174	(64)	(63)	-	(18)	347
Non-current provisions	680	315	(122)	(149)	-	(14)	710
TOTAL PROVISIONS	1,989	838	(433)	(477)	-	(16)	1,901

<i>(in € million)</i>	At 31 March 2012	Additions	Releases	Applications	Change in consolidation scope	Translation adjustments and other	At 31 March 2013
Warranties	759	416	(206)	(207)	(1)	6	767
Litigations, claims and others	655	337	(287)	(159)	(2)	(2)	542
Current provisions	1,414	753	(493)	(366)	(3)	4	1,309
Tax risks & litigations	155	68	(42)	(4)	5	(2)	180
Restructuring	231	64	(24)	(86)	-	(3)	182
Other non-current provisions	418	161	(234)	(30)	-	3	318
Non-current provisions	804	293	(300)	(120)	5	(2)	680
TOTAL PROVISIONS	2,218	1,046	(793)	(486)	2	2	1,989

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 derive from the adaptation of the Group's footprint in order to take into account the lower demand in developed countries, mainly in Europe, and the situation of global overcapacity faced in some Sectors.

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

NOTE 24 • POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

In addition to mandatory social insurance plans, the Group has introduced several benefit plans.

The defined benefit obligation amounting to €5,975 million as of 31 March 2014 (see Note 24.2) is analysed as follows:

- several pension plans for €5,552 million;
- other post-employment benefits for €349 million which include end-of-service benefits in France and retiree healthcare plans mainly in the United States; and
- other long-term defined benefits for €74 million which mainly correspond to jubilees in France and Germany.

24.1. 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 are mainly in the United Kingdom, Switzerland, Germany and in the United States.

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. The largest plan, which accounts for 90% of the defined benefit obligations in the country, provides an indexed pension annuity based on the employee's final pensionable earnings, as well as benefits payable upon death and serious ill-health. This plan was closed to new members in 2006.

In accordance with British regulation, the Company and the Trustee Board of the scheme perform an actuarial valuation every three years, and agree on a recovery plan to correct any deficit arising. The current agreement was signed in April 2012, and the Company paid £35 million of recovery contributions over the year ended 31 March 2014. The Company shall pay £36 million over the year ending 31 March 2015, and the next valuation will be performed in April 2015.

The two other plans also provide a pension in the form of an indexed annuity and were closed to new members as of 1 July 2013.

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. These arrangements are also used to meet the auto-enrolment requirements which apply to Alstom in the United Kingdom since 1 May 2013.

In Switzerland, the pension plans allow members to accumulate retirement funds with interests in a dedicated account during their employment life. The account value is converted into a pension, in the form of an annuity or a lump sum payment. The plans also include benefits payable upon death and disability. The largest pension plan, which accounts for 85% of the defined benefit obligations in the country, was amended during fiscal year 2013/2014. The main changes are the following:

- conversion rates, which were already scheduled to steadily decrease until 2018, will continue to decrease for 2019. The conversion rate for 2019 has been set at 5.85%;
- the savings contributions will be raised by 1%, shared equally between the employee and the employer, as of 1 July 2014. At the same time, the employer risk contribution will decrease by 0.5%.

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 2003 for the employees of the Grid Sector, in 2009 for the employees of the Thermal and Renewable Sectors and in 2010 for the employees of the Transport Sector to remove most defined benefit pension risks. The plans now 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, there are remitted into defined contributions plans.

In the United States of America, Alstom sponsors five qualified defined benefit pension plans and two post-retirement medical plans. Two of the qualified pension plans, namely a cash balance plan and a final average earnings plan, which represent 63% of the defined benefit obligations in the country, were closed to all service accruals in 2010. Employees now participate in a defined contribution 401(k) plan. The employer subsidies toward post-retirement medical plans were removed to new hires in 2002 and 2003 with the exception of a small number of unionized employees.

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.

24.2. Defined benefit obligations

<i>(in € million)</i>	At 31 March 2014	United Kingdom	Switzerland	Euro Zone	Other ⁽¹⁾
Defined benefit obligations at beginning of year	(6,039)	(2,481)	(1,497)	(1,128)	(933)
Service cost	(99)	(13)	(44)	(25)	(17)
Plan participant contributions	(39)	(3)	(35)	-	(1)
Interest cost	(222)	(113)	(36)	(37)	(36)
Plan amendments	6	-	11	(4)	(1)
Curtailments	2	-	-	1	1
Settlements	-	-	-	-	-
Actuarial gains (losses) – due to experience	(4)	(2)	31	(21)	(12)
Actuarial gains (losses) – due to changes in assumptions	82	37	(2)	3	44
Benefits paid	308	121	55	71	61
Foreign currency translation and others	30	(51)	(1)	-	82
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	(5,975)	(2,505)	(1,518)	(1,140)	(812)
<i>of which:</i>					
Funded schemes	(5,172)	(2,505)	(1,505)	(545)	(617)
Unfunded schemes	(803)	-	(13)	(595)	(195)

(1) Including mainly United States of America.

<i>(in € million)</i>	At 31 March 2013 ⁽²⁾	United Kingdom	Switzerland	Euro Zone	Other ⁽¹⁾
Defined benefit obligations at beginning of year	(5,526)	(2,358)	(1,344)	(962)	(862)
Service cost	(81)	(12)	(38)	(17)	(14)
Plan participant contributions	(38)	(3)	(34)	-	(1)
Interest cost	(238)	(118)	(35)	(44)	(41)
Plan amendments	3	-	1	-	2
Curtailments	8	-	-	-	8
Settlements	14	-	-	1	13
Actuarial gains (losses) – due to experience	(1)	42	(27)	(8)	(8)
Actuarial gains (losses) – due to changes in assumptions	(522)	(186)	(102)	(164)	(70)
Benefits paid	313	115	64	66	68
Foreign currency translation and others	29	39	18	-	(28)
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	(6,039)	(2,481)	(1,497)	(1,128)	(933)
<i>of which:</i>					
Funded schemes	(5,246)	(2,481)	(1,485)	(552)	(728)
Unfunded schemes	(793)	-	(12)	(576)	(205)

(1) Including mainly United States of America.

(2) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

24.3. Plan assets

As indicated in Note 24.1, 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 and Germany.

<i>(in € million)</i>	At 31 March 2014	United Kingdom	Switzerland	Euro Zone	Other ⁽¹⁾
Fair value of plan assets at beginning of year	4,382	2,038	1,454	329	561
Interest income	153	90	33	11	19
Actuarial gains (losses) on assets due to experience	73	13	31	13	16
Company contributions	136	56	56	1	23
Plan participant contributions	39	3	35	-	1
Settlements	-	-	-	-	-
Benefits paid from plan assets	(253)	(119)	(54)	(30)	(50)
Foreign currency translation and others	(8)	44	1	-	(53)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	4,522	2,125	1,556	324	517

(1) Including mainly United States of America.

<i>(in € million)</i>	At 31 March 2013 ⁽²⁾	United Kingdom	Switzerland	Euro Zone	Other ⁽¹⁾
Fair value of plan assets at beginning of year	4,097	1,921	1,324	314	538
Interest income	170	96	33	14	27
Actuarial gains (losses) on assets due to experience	256	127	89	23	17
Company contributions	127	37	54	5	31
Plan participant contributions	38	3	34	-	1
Settlements	(13)	-	-	-	(13)
Benefits paid from plan assets	(260)	(115)	(62)	(27)	(56)
Foreign currency translation and others	(33)	(31)	(18)	-	16
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	4,382	2,038	1,454	329	561

(1) Including mainly United States of America.

(2) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

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

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013 ⁽¹⁾
Defined benefit obligations	(5,975)	(6,039)
Fair value of plan assets	4,522	4,382
Funded status of the plans	(1,453)	(1,657)
Impact of asset ceiling	(51)	(1)
NET OF ACCRUED AND PREPAID BENEFIT COSTS AFTER ASSET CEILING	(1,504)	(1,658)
<i>of which:</i>		
• <i>Accrued pension and other employee benefit costs</i>	(1,526)	(1,674)
• <i>Prepaid pension and other employee benefit costs</i>	22	16

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

The net asset of €22 million mainly related to a pension scheme in the United Kingdom is supported by appropriate refund expectations, as requested by IFRIC 14.

24.5 Components of plan assets

<i>(in € million)</i>	At 31 March 2014	%	United Kingdom	Switzerland	Euro Zone	Other ^(*)
Equities	1,643	36%	38%	33%	34%	39%
Bonds	2,399	53%	52%	51%	64%	58%
Properties	386	9%	8%	14%	-	2%
Other	94	2%	2%	2%	2%	1%
TOTAL	4,522	100%	100%	100%	100%	100%

(*) Including mainly United States of America.

<i>(in € million)</i>	At 31 March 2013	%	United Kingdom	Switzerland	Euro Zone	Other ⁽¹⁾
Equities	1,501	34%	36%	35%	32%	38%
Bonds	2,384	55%	55%	49%	67%	57%
Properties	405	9%	8%	15%	-	1%
Other	92	2%	1%	1%	1%	4%
TOTAL	4,382	100%	100%	100%	100%	100%

(1) Including mainly United States of America.

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 2014, plan assets do not include securities issued by the Group.

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

<i>(in %)</i>	At 31 March 2014	United Kingdom	Switzerland	Euro Zone	Other ⁽¹⁾
Discount rate	3.73	4.60	2.25	3.24	4.59
Rate of compensation increase	2.91	3.80	1.49	2.70	3.45

(1) Including mainly United States of America.

<i>(in %)</i>	At 31 March 2013 ⁽¹⁾	United Kingdom	Switzerland	Euro Zone	Other ⁽²⁾
Discount rate	3.61	4.50	2.25	3.23	4.06
Rate of compensation increase	2.88	3.80	1.44	2.63	3.06

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) Including mainly United States of America.

As of 31 March 2014, the weighted average durations of the defined benefit obligations are the following:

<i>(in years)</i>	At 31 March 2014	United Kingdom	Switzerland	Euro Zone	Other ⁽¹⁾
Weighted average duration	14	16	15	12	10

(1) Including mainly United States of America.

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.

24.6. Assumptions (weighted average rates)

Actuarial valuations of the Group's benefit obligation have been made as of 31 March 2014 and 31 March 2013. 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.

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 7.11% in the year ended 31 March 2014 and reduces thereafter to an ultimate rate of 5.02% from 2021 onwards.

Sensitivity analysis

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

<i>(in € million)</i>	At 31 March 2014
Impact of a 25bp increase or decrease in the discount rate	(195.8)/+206.5
Impact of a 25bp increase or decrease in the rate of compensation increase	+19.9/(20.0)

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

<i>(in € million)</i>	Year ended 31 March 2014	United Kingdom	Switzerland	Euro Zone	Other⁽¹⁾
Service cost	(99)	(13)	(44)	(25)	(17)
Defined contribution plans ⁽²⁾	(205)	(14)	-	(109)	(82)
Income from operations	(304)	(27)	(44)	(134)	(99)
Actuarial gains/(losses) on other long-term benefits	(6)	-	-	(6)	-
Past service gain (cost)	6	-	11	(4)	(1)
Curtailments/settlements	2	-	-	1	1
Other income (expense)	2	-	11	(9)	-
Financial income (expense)	(69)	(23)	(3)	(26)	(17)
TOTAL BENEFIT EXPENSE	(371)	(50)	(36)	(169)	(116)

(1) Including mainly United States of America.

(2) Including an expense of €19 million related to multi-employer contributions accounted for as defined contribution plans for the year ended 31 March 2014.

<i>(in € million)</i>	Year ended 31 March 2013⁽¹⁾	United Kingdom	Switzerland	Euro Zone	Other⁽²⁾
Service cost	(81)	(12)	(38)	(17)	(14)
Defined contribution plans ⁽³⁾	(191)	(13)	-	(99)	(79)
Income from operations	(272)	(25)	(38)	(116)	(93)
Actuarial gains/(losses) on other long-term benefits	(8)	-	(1)	(4)	(3)
Past service gain (cost)	2	-	1	(1)	2
Curtailments/settlements	8	-	-	-	8
Other income (expense)	2	-	-	(5)	7
Financial income (expense)	(68)	(22)	(2)	(30)	(14)
TOTAL BENEFIT EXPENSE	(338)	(47)	(40)	(151)	(100)

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

(2) Including mainly United States of America.

(3) Including an expense of €19 million related to multi-employer contributions accounted for as defined contribution plans for the year ended 31 March 2013.

24.8. 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 2014 amounted to €191 million and covers both regular contributions for accruing service and recovery contributions in case of funding shortfall. Total cash spent for defined contribution plans in the year ended 31 March 2014 amounted to €205 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.

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

- €229 million in the year ending 31 March 2015;
- €213 million in the year ending 31 March 2016;
- €222 million in the year ending 31 March 2017.

NOTE 25 • FINANCIAL DEBT

Carrying amount (in € million)	At 31 March 2014	At 31 March 2013
Bonds	4,614	4,141
Other borrowing facilities	554	232
Put options and earn-out on acquired entities	40	46
Derivatives relating to financing activities	13	18
Accrued interests	55	43
Borrowings	5,276	4,480
<i>Non-current</i>	4,009	4,197
<i>Current</i>	1,267	283
Obligations under finance leases	96	108
Other obligations under long-term rental	349	367
Obligations under finance leases	445	475
<i>Non-current</i>	398	433
<i>Current</i>	47	42
TOTAL FINANCIAL DEBT	5,721	4,955

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

	Nominal value (in € million)	Maturity date	Nominal interest rate	Effective interest rate
Alstom September 2014	722	23/09/2014	4.00%	3.89%
Alstom March 2015	60	09/03/2015	4.25%	4.47%
Alstom October 2015	500	05/10/2015	2.88%	2.98%
Alstom March 2016	500	02/03/2016	3.87%	4.05%
Alstom February 2017	750	01/02/2017	4.13%	4.25%
Alstom October 2017	350	11/10/2017	2.25%	2.44%
Alstom October 2018	500	05/10/2018	3.63%	3.71%
Alstom July 2019	500	08/07/2019	3.00%	3.18%
Alstom March 2020	750	18/03/2020	4.50%	4.58%

As at 8 July 2013, under its Euro Medium Term Note Programme listed in Luxembourg, the Company issued a new bond for an amount of €500 million. It bears an annual coupon of 3% and matures in July 2019.

The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Notes 14 and 31).

NOTE 26 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

26.1. Financial instruments reported in the financial statements

The Group's financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise funds for the Group's operations.

The Group has loans, trade and other receivables, and cash and cash equivalents that are directly derived from its operations.

The Group is exposed to currency risk, interest rate risk, 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 cash, cash equivalents, trade receivables and trade payables is considered as being equivalent to carrying value, due to their short maturities;

- 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 derivative instruments is the estimated amount that the Group would receive or pay to settle the related contracts, valued on the basis of relevant yield curves and foreign exchange rates at closing date.

Year ended 31 March 2014

Balance sheet positions at 31 March 2014

At 31 March 2014 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	Carrying amount of financial instruments by categories (*)					Fair value of items classified 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
Associates and non consolidated investments	620	460	-	160	-	-	160	-	160	-	160
Other non-current assets	533	22	-	-	511	-	511	-	147	364	511
Trade receivables	4,483	-	-	-	4,483	-	4,483	-	4,483	-	4,483
Other current operating assets	3,203	1,846	547	-	392	419	1,357	-	1,357	-	1,357
Marketable securities and other current financial assets	18	-	-	-	-	18	18	-	18	-	18
Cash and cash equivalents	2,320	-	2,320	-	-	-	2,320	-	2,320	-	2,320
ASSETS	11,177	2,328	2,867	160	5,386	436	8,849	-	8,485	364	8,849
Non-current borrowings	4,009	-	-	-	4,009	-	4,009	-	4,200	-	4,200
Non-current obligations under finance leases	398	-	-	-	398	-	398	-	398	-	398
Current borrowings	1,267	-	-	-	1,254	13	1,267	-	1,277	-	1,277
Current obligations under finance leases	47	-	-	-	47	-	47	-	47	-	47
Trade payables	3,866	-	-	-	3,866	-	3,866	-	3,866	-	3,866
Other current operating liabilities	3,671	1,836	370	-	1,147	319	1,836	-	1,836	-	1,836
LIABILITIES	13,258	1,836	370	-	10,721	331	11,422	-	11,624	-	11,624

(*) 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 2014

(in € million)	FV P/L	AFS	LRL at amortised cost inc. related derivatives	Total
Interests	-	-	(199)	(199)
Interest income	-	-	18	18
Interest expense	-	-	(217)	(217)
Dividends	-	1	-	1
Impairment/loss from subsequent measurement	-	-	-	-
Gain on disposal	-	-	-	-
Foreign currency and other	-	-	(41)	(41)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2014	-	1	(240)	(239)

The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.10) and bank fees (see Note 8).

Income from operations arising from financial instruments for the year ended 31 March 2014

Net foreign currency gains and losses recorded within income from operations are negative by €3 million for the year ended 31 March 2014.

They are made up of two components:

- forward points attached to hedging transactions qualified for hedge accounting;
- variation of fair value of hedging instruments and not qualifying for hedge accounting.

Year ended 31 March 2013

Balance sheet positions at 31 March 2013

At 31 March 2013 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	Carrying amount of financial instruments by categories ^(*)					Fair value of items classified as financial instruments				
			FV P/L	AFS	LRL at amortised cost		Total	Listed prices	Internal model based on observable factors	Internal model not based on observable factors	Total	
					DER	DER						DER
Associates and non consolidated investments	698	597	-	101	-	-	101	-	100	-	100	
Other non-current assets	515	10	-	-	505	-	505	-	123	382	505	
Trade receivables	5,285	-	-	-	5,285	-	5,285	-	5,285	-	5,285	
Other current operating assets	3,328	1,990	590	-	415	333	1,338	-	1,338	-	1,338	
Marketable securities and other current financial assets	36	-	1	-	-	35	36	-	36	-	36	
Cash and cash equivalents	2,195	-	2,195	-	-	-	2,195	-	2,195	-	2,195	
ASSETS	12,057	2,597	2,786	101	6,205	368	9,460	-	9,077	382	9,459	
Non-current borrowings	4,197	-	-	-	4,197	-	4,197	-	4,489	-	4,489	
Non-current obligations under finance leases	433	-	-	-	433	-	433	-	433	-	433	
Current borrowings	283	-	-	-	265	18	283	-	283	-	283	
Current obligations under finance leases	42	-	-	-	42	-	42	-	42	-	42	
Trade payables	4,041	-	-	-	4,041	-	4,041	-	4,041	-	4,041	
Other current operating liabilities	3,688	1,778	215	-	1,332	363	1,910	-	1,910	-	1,910	
LIABILITIES	12,684	1,778	215	-	10,310	381	10,906	-	11,198	-	11,198	

(*) 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 2013

(in € million)	FV P/L	AFS	LRL at amortised cost inc. related derivatives	Total
Interests	-	-	(165)	(165)
Interest income	-	-	29	29
Interest expense	-	-	(194)	(194)
Dividends	-	4	-	4
Impairment/loss from subsequent measurement	-	-	-	-
Gain on disposal	-	-	-	-
Foreign currency and other	-	-	(34)	(34)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2013	-	4	(199)	(195)

The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.10) and bank fees (see Note 8).

Income from operations arising from financial instruments for the year ended 31 March 2013

Net foreign currency gains and losses recorded within income from operations are positive by €86 million for the year ended 31 March 2013.

They are made up of two components:

- forward points attached to hedging transactions qualified for hedge accounting;
- variation of fair value of hedging instruments and not qualifying for hedge accounting.

26.2. Currency risk management

Financial debt

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

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013
Euro	4,924	4,325
Chinese Yuan	86	72
Brazilian Real	231	67
British Pound	381	413
US Dollar	10	14
Other currencies	106	79
FINANCIAL DEBT IN NOMINAL VALUE	5,738	4,970

The debt in GBP essentially originates from a long-term lease scheme of trains, involving London Underground. The related €349 million 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 14, 25 and 31).

Operations

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. Main currencies triggering a significant exposure for the year ended 31 March 2014 are the US dollar and the Swiss Franc.

During the tender period, depending on the probability to obtain the project and on market conditions, the Group can hedge a portion of its tenders using options or export insurance contracts when possible. Once the contract is signed, forward exchange contracts are used to hedge the actual exposure during the life of the contract (either as the only hedging instruments or as a complement to existing export insurance contracts).

The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposure on any individual sale or purchase transaction in excess of €100,000. Forward currency contracts must be denominated in the same currency as the hedged item. It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximise hedge effectiveness.

The Group uses almost exclusively currency forward contracts and swap currency contracts to adjust the maturity of the forward contracts to ensure that they are at all times as close as possible to the terms of the contractual flows. The portfolio of forward contracts has a weighted maturity of one and a half-year, however the Group does have some forward contracts beyond five years to reflect the long term nature of some of the contracts. The Group hedges over forty different currencies with a multitude of crosses depending on which entity of the Group is exposed to the currency. As of 31 March 2014 the Group has an outstanding portfolio of currency forward contracts hedging €12.1 billion of cash out (supplier payments) and €13.5 billion of cash in (client receipts).

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

<i>(in € million)</i>	At 31 March 2014		At 31 March 2013	
	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	423	321	346	367
Derivatives qualifying for cash flow hedge	12	7	20	11
Derivatives qualifying for net investment hedge	-	2	-	-
Derivatives not qualifying for hedge accounting	1	1	2	3
TOTAL	436	331	368	381

IFRS 13 application "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.

The fair value of those instruments is the estimated amount that the Group would receive or pay to settle the related contracts, valued on the basis of relevant yield curves and foreign exchange rates at closing date.

The volatility of foreign exchange rates during the periods ended 31 March 2014 and 31 March 2013 explains the amount of fair value of derivative instruments (either positive or negative). For instruments that qualify for fair value hedge accounting, any change in fair value is mostly offset by the re-measurement of the underlying exposure (either on balance sheet or off-balance sheet).

The following table shows the sensitivity of the Group's pre-tax income to a change in the US dollar and Swiss Franc exchange rates. The effects on pre-tax income arise from derivative instruments not qualifying for hedge accounting while the effect on income and expense directly recognised in equity is due to the measurement of the effective portion of derivative instruments qualifying for cash flow hedge accounting.

	Variation	USD rate		Variation	CHF rate	
		Effect on pre-tax income	Effect on income and expense directly recognised in equity		Effect on pre-tax income	Effect on income and expense directly recognised in equity
Year ended 31 March 2014	10%	(1)	-	5%	-	9
31 March 2014	-10%	1	-	-5%	-	(9)
Year ended 31 March 2013	10%	-	-	5%	-	(2)
31 March 2013	-10%	-	-	-5%	-	2

The effective portion of instruments qualifying for cash flow hedge accounting reclassified from equity to profit or loss during the year ended 31 March 2014 is positive by €49 million.

26.3. Interest rate risk management

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 2014	At 31 March 2013
Financial assets at floating rate	2,398	2,264
Financial assets at fixed rate	402	409
Financial assets bearing interests	2,800	2,673
Financial debt at floating rate	253	47
Financial debt at fixed rate, put options and earn-out on acquired entities	5,468	4,908
Financial debt	5,721	4,955
Total position at floating rate before swaps	2,651	2,311
Total position at fixed rate before swaps	5,870	5,317
Total position before hedging	8,521	7,628
Total position at floating rate after swaps	2,651	2,311
Total position at fixed rate after swaps	5,870	5,317
TOTAL POSITION AFTER HEDGING	8,521	7,628

Sensitivity is analysed based on the Group's net cash position after hedging at 31 March 2014, assuming that it remains constant over one year.

In absence of instruments hedging the interest risk, the effects of increases or decreases in market rates are symmetrical: a rise of 0.1% would increase the net interest income by €2 million while a fall of 0.1% would decrease it by the same amount.

26.4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a 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 from 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.

In specific cases, the Group may use export credit insurance policies which may hedge up to 90% 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 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.

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. At 31 March 2014 and at 31 March 2013, as part of the central treasury management, cash and cash equivalents are invested entirely in deposits with bank counterparties of first rank noted "Investment Grade".

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. Restricted cash and cash equivalents available at subsidiary level were €296 million and €490 million at 31 March 2014 and 31 March 2013, respectively.

The Group has derivatives with first class banks under agreements which 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 2014

	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		
				Financial instruments	Cash collateral received	Net amount
<i>(in € million)</i>						
Derivatives assets	437	-	437	(289)	-	148
Derivatives liabilities	(332)	-	(332)	289	-	(43)

At 31 March 2013

	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		
				Financial instruments	Cash collateral received	Net amount
<i>(in € million)</i>						
Derivatives assets	368	-	368	(290)	-	78
Derivatives liabilities	(381)	-	(381)	290	-	(91)

26.5. Liquidity risk management

Financial covenants

In order to increase its liquidity, the Group completed a €1,350 million revolving credit facility, currently fully undrawn and maturing in December 2016. This facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum Interest Cover	Maximum total debt <i>(in € million)</i>	Maximum total net debt leverage
	(a)	(b)	(c)
	3	6,000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense (excluding interest related to obligations under finance lease). It amounts to 8.0 at year end 31 March 2014 (11.2 at year end 31 March 2013).

(b) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. This covenant would apply if the Group is rated "non-investment grade" by both rating agencies, which is not the case at 31 March 2014.

(c) 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 is 1.9 as at 31 March 2014 (1.3 at 31 March 2013).

Cash Flow

The Group's objective is to maintain a strong liquidity. A revolving cash planning tool is used to monitor the Group's liquidity needs.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2014 and 31 March 2013.

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

Financial instruments held at 31 March 2014

Cash flow arising from instruments included in net cash/(debt) at 31 March 2014

Cash flow for the years ended 31 March (in € million)	Carrying amount	2015		2016		2017-2019		2020 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	364	25	29	22	32	29	288	-	15
Marketable securities and other current financial assets	18	-	18	-	-	-	-	-	-
Cash and cash equivalents	2,320	16	2,320	-	-	-	-	-	-
Assets	2,702	41	2,367	22	32	29	288	-	15
Non-current borrowings	(4,009)	-	-	(151)	(1,004)	(251)	(1,743)	(43)	(1,262)
Non-current obligations under finance leases	(398)	-	-	(25)	(57)	(32)	(325)	(1)	(16)
Current borrowings	(1,267)	(209)	(1,267)	-	-	-	-	-	-
Current obligations under finance leases	(47)	(28)	(47)	-	-	-	-	-	-
Liabilities	(5,721)	(237)	(1,314)	(176)	(1,061)	(283)	(2,068)	(44)	(1,278)
NET CASH/(DEBT)	(3,019)	(196)	1,053	(154)	(1,029)	(254)	(1,780)	(44)	(1,263)

Cash flow arising from operating derivatives at 31 March 2014

Cash flow for the years ended 31 March (in € million)	Carrying amount	2015		2016		2017-2019		2020 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	419	-	183	-	93	-	126	-	17
Assets	419	-	183	-	93	-	126	-	17
Other current operating liabilities	(319)	-	(170)	-	(78)	-	(65)	-	(6)
Liabilities	(319)	-	(170)	-	(78)	-	(65)	-	(6)
DERIVATIVES	100	-	13	-	15	-	61	-	11

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2014

Cash flow for the years ended 31 March (in € million)	Carrying amount	2015		2016		2017-2019		2020 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	160	-	-	-	-	-	-	-	160
Other non-current assets	147	-	95	-	3	-	16	-	33
Trade receivables	4,483	-	4,483	-	-	-	-	-	-
Other current operating assets	938	-	938	-	-	-	-	-	-
Assets	5,728	-	5,516	-	3	-	16	-	193
Trade payables	(3,866)	-	(3,866)	-	-	-	-	-	-
Other current operating liabilities	(1,517)	-	(1,517)	-	-	-	-	-	-
Liabilities	(5,383)	-	(5,383)	-	-	-	-	-	-
OTHER FINANCIAL ASSETS AND LIABILITIES	345	-	133	-	3	-	16	-	193

Financial instruments held at 31 March 2013

Cash flow arising from instruments included in net cash/(debt) at 31 March 2013

Cash flow for the years ended 31 March (in € million)	Carrying amount	2014		2015		2016-2018		2019 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	382	26	25	24	28	50	315	-	14
Marketable securities and other current financial assets	36	-	36	-	-	-	-	-	-
Cash and cash equivalents	2,195	2	2,195	-	-	-	-	-	-
Assets	2,613	28	2,256	24	28	50	315	-	14
Non-current borrowings	(4,197)	-	-	(144)	(805)	(264)	(2,120)	(79)	(1,272)
Non-current obligations under finance leases	(433)	-	-	(28)	(44)	(57)	(364)	(3)	(25)
Current borrowings	(283)	(170)	(283)	-	-	-	-	-	-
Current obligations under finance leases	(42)	(31)	(42)	-	-	-	-	-	-
Liabilities	(4,955)	(201)	(325)	(172)	(849)	(321)	(2,484)	(82)	(1,297)
NET CASH/(DEBT)	(2,342)	(173)	1,931	(148)	(821)	(271)	(2,169)	(82)	(1,283)

Cash flow arising from operating derivatives at 31 March 2013

Cash flow for the years ended 31 March (in € million)	Carrying amount	2014		2015		2016-2018		2019 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	333	-	160	-	53	-	69	-	51
Assets	333	-	160	-	53	-	69	-	51
Other current operating liabilities	(363)	-	(187)	-	(89)	-	(76)	-	(11)
Liabilities	(363)	-	(187)	-	(89)	-	(76)	-	(11)
DERIVATIVES	(30)	-	(27)	-	(36)	-	(7)	-	40

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2013

Cash flow for the years ended 31 March (in € million)	Carrying amount	2014		2015		2016-2018		2019 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	101	-	-	-	-	-	-	-	101
Other non-current assets	123	-	75	-	1	-	5	-	42
Trade receivables	5,285	-	5,285	-	-	-	-	-	-
Other current operating assets	1,005	-	1,005	-	-	-	-	-	-
Assets	6,514	-	6,365	-	1	-	5	-	143
Trade payables	(4,041)	-	(4,041)	-	-	-	-	-	-
Other current operating liabilities	(1,547)	-	(1,547)	-	-	-	-	-	-
Liabilities	(5,588)	-	(5,588)	-	-	-	-	-	-
OTHER FINANCIAL ASSETS AND LIABILITIES	926	-	777	-	1	-	5	-	143

26.6. 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.

NOTE 27 • OTHER CURRENT OPERATING LIABILITIES

<i>(in € million)</i>	At 31 March 2014	At 31 March 2013
Staff and associated liabilities	1,164	1,145
Corporate income tax	98	76
Other taxes	495	458
Deferred income	119	95
Other payables	1,106	1,336
Derivatives relating to operating activities	319	363
Remeasurement of hedged firm commitments in foreign currency	370	215
OTHER CURRENT OPERATING LIABILITIES	3,671	3,688

NOTE 28 • ASSETS AND LIABILITIES HELD FOR SALE

As of 31 March 2014, assets held for sale amount to €293 million and relate to the contemplated sale of the business Auxiliary components agreed on 1 April 2014 with Triton, a leading European investment firm (see Note 34). This amount is primarily comprised of goodwill.

The business Auxiliary components is part of Steam segment within Thermal Power and is active both in the new equipment market and aftermarket services across three product lines: air preheaters and

gas-gas heaters for thermal power plants, heat transfer solutions for a variety of petrochemical and industrial processes, and grinding mills for diversified industrial applications. Headquartered in Germany, the activities employ more than 1,500 people worldwide.

The disposal value is expected to significantly exceed the carrying value of assets held for sale.

NOTE 29 • EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

<i>(in € million)</i>	Year ended	
	31 March 2014	31 March 2013 ⁽¹⁾
Wages and salaries	4,373	4,545
Social charges	1,118	1,143
Post-employment and other long-term benefit expense (see Note 24.7)	371	338
Share-based payment expense (see Note 22)	10	15
TOTAL EMPLOYEE BENEFIT EXPENSE	5,872	6,041

(1) Figures have been adjusted as mentioned in Note 3 "Changes in accounting method" following the application of IAS 19 revised.

	At 31 March 2014	At 31 March 2013
Staff of consolidated companies at year end		
Managers, engineers and professionals	46,086	45,140
Other employees	40,039	41,112
HEADCOUNT^(*)	86,125	86,252

(*) Headcount doesn't include any temporary people.

NOTE 30 • CONTINGENT LIABILITIES AND DISPUTES

30.1. 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.

At 31 March 2014, the Group has in place both uncommitted bilateral lines in numerous countries up to €21.4 billion and a Committed Bonding

Facility Agreement allowing issuance of instruments until 27 July 2016 for an amount of €9 billion.

At 31 March 2014, the total outstanding bonding guarantees related to contracts, issued by banks or insurance companies, amount to €17 billion (€15.6 billion at 31 March 2013).

The available amount under the Committed Bonding Facility at 31 March 2014 amounts to €2.0 billion (€2.1 billion at 31 March 2013). The available amount under bilateral lines at 31 March 2014 amounts to €10.9 billion.

The Committed Bonding Facility includes a certain number of financial covenants based on consolidated figures of the Group:

Covenants	Minimum Interest Cover	Maximum total debt (in € million)	Maximum total net debt leverage
	(a)	(b)	(c)
	3	6,000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense (excluding interest related to obligations under finance lease). It amounts to 8.0 at year end 31 March 2014 (11.2 at year end 31 March 2013).

(b) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. This covenant would apply if the Group is rated "non-investment grade" by both rating agencies, which is not the case at 31 March 2014.

(c) 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 is 1.9 as at 31 March 2014 (1.3 at 31 March 2013).

Vendor financing

Until 2003, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of Transport equipment.

At 31 March 2014, guarantees given as part of past vendor financing arrangements concern guarantees given as part of a leasing scheme involving London Underground Limited (Northern Line and amount to £177 million (€214 million and €209 million at 31 March 2014 and 31 March 2013 respectively).

Were London Underground Limited to decide not to extend the contract beyond 2017, and to hand the trains back, the Group has guaranteed to the lessors that the value of the trains and associated equipment, net of the £15 million non-extension payment due by London Underground, should not be less than £177 million in 2017. The £177 million is included in the €349 million amount of "Other obligations under long-term rental" (see Note 25).

30.2. Disputes

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 other cases, the Group also claims compensation, sometimes severally with its consortium partners.

In some proceedings the amount claimed is not specified at the beginning of the proceedings. Amounts retained in respect of litigation 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

In France, some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos. 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".

In the United States of America, subsidiaries of the Group are also subject to asbestos-related personal injury lawsuits. The Group considers that it has valid defences in these cases and the number of outstanding cases is decreasing.

The Group believes that the cases where it may be required to bear the financial consequences of such civil or criminal proceedings both in France and the United States of America 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

GIS equipment

In April 2006, the European Commission commenced proceedings against Alstom, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears ("GIS equipment"), a product of its former Transmission & Distribution business sold to Areva in January 2004, following investigations that began in 2004.

On 24 January 2007, the European Commission levied a fine of €65 million against Alstom which includes €53 million on a joint and several basis with Areva T&D (Alstom Grid). Alstom has requested the cancellation of this decision before the General Court of the European Union. On 3 March 2011 the Court reduced the amount of fine levied against Alstom to €58.5 million out of which €48.1 million on a joint and several basis with Areva T&D (Alstom Grid). On 20 May 2011, Alstom requested the cancellation of this decision before the Court of Justice of the European Union. The final decision occurred on 10 April 2014 and the fine against Alstom was confirmed. The fine and the applicable interests will be paid upon notification of their due date.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages from all manufacturers concerned for a total reevaluated amount of £275 million since it bought GIS equipment at inflated prices due to alleged anti-competitive arrangements between manufacturers. Alstom contests the facts. The High Court of Justice in London decided that the final hearings would occur in June and July 2014. Two other similar civil actions started in May and September 2010 before national jurisdictions for a global amount of approximately €32 million are ongoing.

On 16 September 2013 the Israeli Antitrust Authority issued a decision whereby Alstom and other companies were held liable for anti-competitive arrangement in the GIS Israeli market. No fine will be imposed to Alstom arising out of this decision. Alstom prepares its defense to appeal this decision. Following this decision, the Israeli state-owned company for the power distribution started a civil action amounting to €784 million against the members of the alleged anti-competitive arrangement in December 2013. Two class actions have also been initiated against the members of the alleged anti-competitive arrangement for overcharge. These procedures are at a very preliminary stage. Alstom vigorously contests these procedures on the merits and considers it has good arguments to defend these cases.

Power transformers

On 20 November 2008, the European Commission sent a statement of objections to a number of manufacturers of power transformers, including Alstom, concerning their alleged participation in anti-

competitive arrangements. Alstom has contested the materiality of the alleged facts. On 7 October 2009, the European Commission levied a fine of €16.5 million against Alstom which includes €13.5 million on a joint and several basis with Areva T&D (Alstom Grid). Alstom has requested the cancellation of this decision before the General Court of the European Union on 21 December 2009. The hearings on the merits took place on 9 July 2012 and the decision is expected to occur during the second semester of 2014.

Transportation activities

In July 2013, the Brazilian Competition Authority ("CADE") raided a number of companies involved in transportation activities in Brazil, including the subsidiary of Alstom Transport, following allegations of anti-competitive practices. After a preliminary investigation stage, CADE notified in March 2014 the opening of an administrative procedure against several companies, of which the Alstom Transport's subsidiary in Brazil, and certain current and former employees of the Group. Alstom Transport fully cooperates 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.

Alleged illegal payments

Certain companies and/or current and former employees of the Group are currently being investigated in various countries, by judicial authorities (including in France, in the United States of America, in the United Kingdom and in Brazil) or international financial institutions with respect to alleged illegal payments in certain countries.

In the United States, the U.S. Department of Justice (DOJ) began in 2010 investigations on subsidiaries of the Group relating to alleged potential violations of the Foreign Corrupt Practices Act. The Group is working diligently with the DOJ to answer questions and produce documents associated with the projects which are in the scope of the DOJ investigations in order to address any possible improper conduct. At this stage, the discussions with the DOJ have not evolved to the point of negotiating a potential settlement regarding these investigations.

As regards the United Kingdom, the Serious Fraud Office (SFO) began investigations in 2010. As with the United States, the Group is keen to bring these investigations to a rapid conclusion.

With respect to these above mentioned matters, the Group is fully cooperating with the concerned authorities or institutions. These procedures may result in fines, exclusion of Group subsidiaries from tenders and third-party actions. At this stage the Group is unable to predict the outcome of any of these investigations.

The World Bank sanctioned Alstom for improper payment of €110,000 made in 2002 in relation to a World Bank-financed Zambian power rehabilitation project. On 22 February 2012, as part of a negotiated resolution agreement, the World Bank announced its decision to debar ALSTOM Hydro France and ALSTOM Network Schweiz AG (Switzerland) and their affiliates from public tenders financed by the World Bank for a period of three years. The Group paid also a restitution amount of \$9.5 million. This debarment qualifies for cross-debarment by the other multilateral development banks pursuant to the Agreement of Mutual Recognition of Debarments signed on 9 April 2010.

US litigation following an accident in the Washington D.C. metro

On 22 June 2009, a collision between two metro trains occurred in the Washington D.C. metro resulting in the death of 9 persons and the injury of 52 persons. The claims against Alstom Signaling Inc. initially amounted to approximately \$475 million. A report of the National Transportation Safety Board on the causes of the accident partially implicated equipment supplied by Alstom Signaling Inc. As of today, 120 claims have been made. The 29 most serious claims have been settled and one remains subject to Court approval. All other cases have been settled. All the claims have been declared to the Group's insurers and Alstom has adequate insurance coverage.

Budapest metro

In 2006, Alstom was awarded by BKV a contract for the delivery of 22 Metropolis metros for Line 2 and 15 metros for Line 4 for 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 immediately thereafter all bank guarantees amounting in total to approximately €130 million. This amount was paid in June 2011. 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 homologation for the Final Type License was obtained in July 2012. On 17 December 2012, the arbitration resumed to solve notably the issue of the damages resulting from the delays on the project. The contract execution is ongoing as well as the arbitration proceedings which are at the beginning phase of hearings and assessments of damages claimed by the parties.

Lignite-fired station in Maritza

In 2006, Alstom was awarded by AES a contract for the manufacture of a lignite-fired station in Maritza, Bulgaria. During the execution of the project, Alstom experienced delays and works disruptions mostly due to the defective nature of the lignite supplied by AES. In February 2011, AES called the performance bank guarantee amounting to approximately €150 million. This amount was paid in July 2011. In addition, in March 2011, AES terminated the contract. An arbitration procedure initiated by Alstom, for wrongful termination notably, is on-going. According to the latest arbitral timetable, the hearings before the Arbitral Tribunal are postponed until end of May 2014.

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.

NOTE 31 • LEASE OBLIGATIONS

<i>(in € million)</i>	Total	Maturity of base payments		
		Within 1 year	1 to 5 years	Over 5 years
Long term rental (*)	425	53	140	232
Finance leases	106	21	67	18
Operating leases	859	179	495	185
TOTAL AT 31 MARCH 2014	1,390	253	702	435
Long term rental (*)	467	51	189	227
Finance leases	127	22	78	27
Operating leases	546	102	298	146
Total at 31 March 2013	1,140	175	565	400

(*) Obligations related to a long-term rental of trains and associated equipment to a London metro operator (see Note 25) including interests to be paid.

NOTE 32 • INDEPENDENT AUDITORS' FEES

Fees due to auditors and members of their networks in respect of years ended 31 March 2014 and 31 March 2013 were as follows:

<i>(in € million)</i>	Year ended 31 March 2014				Year ended 31 March 2013			
	Mazars		PricewaterhouseCoopers		Mazars		PricewaterhouseCoopers	
	Amount	%	Amount	%	Amount	%	Amount	%
AUDIT								
Independent Auditors' diligence, certification, review of individual and consolidated accounts	7.5	85%	11.1	87%	6.9	86%	12.0	92%
• ALSTOM SA	1.0	11%	1.3	10%	0.8	10%	1.4	11%
• Controlled entities	6.5	74%	9.8	77%	6.1	76%	10.6	81%
Other audit diligence and audit related services	1.2	14%	0.5	4%	0.9	12%	0.7	5%
• ALSTOM SA	-	-	0.2	2%	-	-	0.1	1%
• Controlled entities	1.2	14%	0.3	2%	0.9	12%	0.6	4%
Sub-total	8.7	99%	11.6	91%	7.8	98%	12.7	97%
OTHER SERVICES								
Legal, tax and social ⁽¹⁾	0.1	1%	0.5	4%	0.2	2%	0.3	3%
Other ⁽²⁾	-	-	0.6	5%	-	-	-	-
Sub-total	0.1	1%	1.1	9%	0.2	2%	0.3	3%
TOTAL	8.8	100%	12.7	100%	8.0	100%	13.0	100%

(1) Tax services provided outside of France, assisting the Group subsidiaries to comply with certain local tax requirements.

(2) "Research and Development" consulting services, in particular project management, provided in the United Kingdom.

NOTE 33 • RELATED PARTIES

The Group has identified the following related parties:

- shareholders of the Group;
- associates & joint ventures;
- key management personnel.

33.1. Shareholders of the Group

Bouygues, a French company listed on Paris stock market, is the main shareholder of the Group, holding more than 5% of the parent company's share capital. At 31 March 2014, Bouygues holds 29.33% of Alstom's share capital and voting rights.

Bouygues and Alstom are involved in various contracts which are part of the ordinary course of business (e.g. phone contracts, construction contracts). All these relations are subject to normal market terms and conditions. Those operating flows are not material at Group's level.

33.2. Related-party disclosures

Related party transactions are mainly transactions with companies over which Alstom exercises significant influence or joint ventures over which Alstom exercises joint control. Transactions with related parties are undertaken at market prices.

<i>(in € million)</i>	Year ended 31 March 2014		At 31 March 2014	
	Income	Expenses	Receivables	Liabilities
Joint ventures	118	2	46	4
Associates	12	-	2	-

33.3. Key management personnel

The Group considers that key management personnel as defined by IAS 24 are the members of the Executive Committee at 31 March 2014.

<i>(in € thousand)</i>	Year ended	
	31 March 2014	31 March 2013
Short-term benefits⁽¹⁾	7,229	8,611
Fixed gross salaries	4,659	4,287
Variable gross salaries ⁽²⁾	2,570	4,324
Post-employment benefits	3,082	4,195
Post-employment defined benefit plans	2,938	4,047
Post-employment defined contribution plans	144	148
Other post-employment benefits	-	-
Other benefits	1,133	1,129
Non monetary benefits	207	131
Share-based payments ⁽³⁾	926	998
TOTAL	11,444	13,935

(1) Excluding social charges (respectively €3,160 thousand as of 31 March 2014 and €3,126 thousand as of 31 March 2013).

(2) Includes long-term conditional compensation plan allocated to the Chairman and CEO.

(3) Expense recorded in the income statement in respect of stock option plans and performance shares.

NOTE 34 • SUBSEQUENT EVENTS

- On April 30th, 2014, the Board of Directors of Alstom announced that it received a binding offer from General Electric (GE) to acquire its Energy activities. The scope of the transaction includes the sectors Thermal Power, Renewable Power and Grid, as well as corporate and shared services. These businesses registered €14.4bn in sales in fiscal year 2013/14. The proposed price is a fixed price representing an Equity Value of €12.35bn and an Enterprise Value of €11.4bn.

Should this offer be approved and completed, Alstom would refocus on its Transport activities. Alstom should use the sale proceeds to strengthen its Transport business, pay down its debt and return cash to its shareholders.

The Board of Directors acknowledging unanimously the strategic and industrial merits of this offer will take a month to review this offer. It has set up to this aim a committee of independent directors, led by Jean-Martin Folz, and comprised of Messrs Gérard Hauser, James W. Leng, Chairman of the nominations and remuneration committee, and Alan Thomson, Chairman of the Audit committee. This Committee appointed a financial expert and a legal advisor. Should the Board conclude positively, the information and consultation of Alstom employees' representatives bodies will be conducted before entering into a definitive agreement. Completion of the transaction would be subject to merger control and other regulatory clearances. In accordance with AFEP-Medef code, the final approval of the transaction will be submitted to the shareholders. Bouygues, a 29% shareholder of Alstom, has committed not to sell its shares until this approval and has indicated that it will support the recommendation of the Alstom Board of Directors.

In the context of this binding offer, Alstom may not solicit offers from third parties for the acquisition of all or part of its Energy business. It has however reserved the right to consider unsolicited offers for its entire Energy business that could lead to a superior offer for Alstom. If, after having recommended the GE's offer, the Board of Directors were to support another transaction, Alstom would owe GE a break-up fee equal to 1.5% of the purchase price.

The Board also review a declaration of interest received from Siemens, regarding an alternative transaction.

- On 1 April 2014, after the Board of Directors approval, the Group agreed to sell its Auxiliary components business to Triton, a leading European investment firm, for an Enterprise Value of around €730 million. This transaction is part of the non-core asset disposal program, announced by the Group and is expected to close before the end of first half of the year ended 31 March 2015 (see Note 28).
- Alstom Transport started the information/consultation process with the European Works Council (EWC) on 10 April 2014 about planned reorganization projects in Barcelona (Spain) and the headquarters in Saint-Ouen (France). Over the coming period, Alstom Transport will continue the dialogue at both European and local level. This would impact around 370 permanent positions.
- On 24 April 2014, Alstom was downgraded by Standard & Poor's rating agency from BBB to BBB- on long term rating (which remains investment grade) and from A-2 to A-3 on short term rating with stable outlook.

The Group has not identified any other subsequent events to be reported.

NOTE 35 • MAJOR COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The major companies of the Group are listed below and selected according to one of the following criteria: significant holding companies or sales above €100 million for the year ended 31 March 2014. The list of all consolidated companies is available upon request at the head office of the Group.

Companies	Country	Ownership %	Consolidation Method
PARENT COMPANY			
ALSTOM	France	-	Parent company
HOLDING COMPANIES			
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM Transport	France	100%	Full consolidation
ALSTOM Deutschland AG	Germany	100%	Full consolidation
ALSTOM Spa	Italy	100%	Full consolidation
ALSTOM NV	Netherlands	100%	Full consolidation
ALSTOM Transport Holdings BV	Netherlands	100%	Full consolidation
ALSTOM Grid Finance BV	Netherlands	100%	Full consolidation
ALSTOM Renewable Holding BV	Netherlands	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
ALSTOM UK Holdings Ltd	United Kingdom	100%	Full consolidation
ALSTOM Inc	USA	100%	Full consolidation
INDUSTRIAL COMPANIES			
ALSTOM Grid Australia Ltd	Australia	100%	Full consolidation
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Grid Energia Ltda	Brazil	100%	Full consolidation
ALSTOM Power & Transport Canada Inc.	Canada	100%	Full consolidation
ALSTOM Grid Canada, Inc	Canada	100%	Full consolidation
ALSTOM Hydro China Co., Ltd	China	99%	Full consolidation
Casco Signaling Ltd	China	50%	Proportionate consolidation
ALSTOM Estonia AS	Estonia	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Power Systems SA	France	100%	Full consolidation
ALSTOM Grid SAS	France	100%	Full consolidation
ALSTOM Power Service	France	100%	Full consolidation
ALSTOM Hydro France	France	100%	Full consolidation
COGELEX	France	100%	Full consolidation
ALSTOM Transport Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Grid GmbH	Germany	100%	Full consolidation
ALSTOM Power GmbH	Germany	100%	Full consolidation
ALSTOM Power Systems GmbH	Germany	100%	Full consolidation
ALSTOM Boiler Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Power Energy Recovery GmbH	Germany	100%	Full consolidation
ALSTOM T&D India Limited	India	73%	Full consolidation
ALSTOM India Limited	India	69%	Full consolidation
ALSTOM Israel Ltd	Israel	100%	Full consolidation
ALSTOM Ferrovia S.p.A	Italy	100%	Full consolidation
ALSTOM K.K.	Japan	100%	Full consolidation
ALSTOM Services Sdn Bhd	Malaysia	100%	Full consolidation
ALSTOM Mexicana S.A. de C.V.	Mexico	100%	Full consolidation
The Breakers Investments B.V. (Transmashholding)	Netherlands	25%	Equity method
ALSTOM Power Sp.z o.o.	Poland	100%	Full consolidation
ALSTOM Asia Pte Ltd	Singapore	100%	Full consolidation

Companies	Country	Ownership %	Consolidation Method
ALSTOM S&E Africa (Pty)	South Africa	100%	Full consolidation
ALSTOM Power Service (Pty) Ltd	South Africa	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
ALSTOM Renovables Espana, S.L.	Spain	100%	Full consolidation
ALSTOM Power Sweden AB	Sweden	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
ALSTOM Renewable (Switzerland) Ltd	Switzerland	100%	Full consolidation
ALSTOM Grid Enerji Endustrisi A.S	Turkey	100%	Full consolidation
ALSTOM Middle East FZE	United Arab Emirates	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Transport UK Ltd	United Kingdom	100%	Full consolidation
ALSTOM Power Inc.	USA	100%	Full consolidation
ALSTOM Grid Inc.	USA	100%	Full consolidation
ALSTOM Boilers US LLC	USA	100%	Full consolidation
ALSTOM Signalling Inc.	USA	100%	Full consolidation

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended 31 March 2014)

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 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 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 captions or on information taken outside of the consolidated financial statements.

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 2014 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 2014 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 matter set out in Note 3 "Changes in accounting method" to the consolidated financial statements regarding the impacts resulting from the revision of IAS 19 "Employee benefits" as at April 1, 2013.

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, 2.3.6, 2.3.7, 2.3.18, 23 and 30.1 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 in "Current provisions". We have examined the processes applied by Alstom and considered the data and assumptions on which these estimates are based.

2. Goodwill and other long term assets

Alstom performed an impairment test on goodwill at year-end and also assessed whether there was any indication of impairment of other long-term assets, in accordance with the approach described in Note 2.3.13 to the consolidated financial statements. We have assessed the impairment test performed and verified that Note 11 to the consolidated financial statements gives the appropriate information.

3. 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 30.2 to the consolidated financial statements.

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, in particular given the current economical and financial environment.

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 and in accordance with professional standards applicable in France, we have also verified 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 Courbevoie, 7 May 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Olivier Lotz

Mazars
Thierry Colin

STATUTORY ACCOUNTS

Year ended 31 March 2014

INCOME STATEMENTS

<i>(in € million)</i>	Note	Year ended	
		31 March 2014	31 March 2013
Management fees and other operating income		150	142
Administrative costs and other operating expenses		(81)	(76)
Depreciation and amortisation expense		-	(3)
OPERATING INCOME	3	69	63
Interest income		172	156
Interest expenses		(172)	(156)
Provisions		(900)	
Bonds issuance costs and premiums recognised as income or expense		(5)	(4)
Change differences		-	1
Financial income	4	(905)	(3)
Current income		(836)	60
Non recurring result	5	(45)	(4)
Income tax credit	6	29	11
NET PROFIT		(852)	67
<i>Total income</i>		353	316
<i>Total expenses</i>		(1,205)	(249)

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BALANCE SHEETS

Assets

<i>(in € million)</i>	Note	At 31 March 2014	At 31 March 2013
FIXED ASSETS			
Intangible assets		2	2
Investments	7	8,316	9,216
Advances to subsidiary	7	7,121	6,686
Total fixed assets		15,439	15,904
CURRENT ASSETS			
Receivables	8	117	99
Cash		-	2
Deferred charges	9	21	22
Total current assets		138	123
TOTAL ASSETS		15,577	16,027

Liabilities

<i>(in € million)</i>	Note	At 31 March 2014	At 31 March 2013
SHAREHOLDERS' EQUITY			
Share capital		2,161	2,157
Additional paid-in capital		876	876
Legal reserve		210	206
Restricted reserve		17	22
General reserve		7,470	7,469
Retained earnings		645	840
Net profit		(852)	67
Total shareholders' equity	10	10,527	11,637
Provisions for risks and charges	11	79	48
LIABILITIES			
Bonds	13	4,684	4,199
Other borrowings	14	188	-
Trade payables	15	10	45
Other payables	15	88	95
Deferred income	17	1	3
Total liabilities		4,971	4,342
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		15,577	16,027

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NOTE 1 • BASIS OF PREPARATION OF THE STATUTORY FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 March 2014 have been prepared in accordance with the provisions of the French Chart of Accounts as described by the Regulation 1999-03 issued by the "Comité de la réglementation comptable" (CRC), approved by Decree dated 22 June 1999 and principles generally admitted.

These accounts have been prepared using the same accounting policies and measurement methods as at 31 March 2013.

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 the discounted terminal residual value, and represents the ability of the assets to generate profits and cash flows.
- When reference values in relation to current transactions exist, these values are also considered in the year-end measurement of the investments.

When the value in use 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.

Provision for the long-term conditional compensation plan

The Chairman and Chief Executive Officer benefits from a long term conditional compensation plan linked to the achievement of some Company's performances, over several years. At the closing, the commitment of the Company is recorded on the basis of real data or on the basis of the best estimates according to elements part of the plan.

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 and commercial papers) 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.

Financial instruments (swaps) may be used to hedge interest rate risks on bonds.

2.5. Tax Group

The Company is the mother company of a French tax group including ALSTOM Holdings and several subsidiaries of ALSTOM Holdings.

Each company 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 loss carry forward and/or long term losses derived during the period of time it belonged to the tax group and unused at the exit date.

NOTE 3 • OPERATING INCOME

At the financial year ended 31 March 2014, operating income is essentially made of €140 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

gross compensation paid to the Chairman and Chief Executive Officer (€2,156,417 paid for the financial year ended 31 March 2014) and Directors' fees due for the fiscal year (€858,500 for the same financial year ended).

NOTE 4 • FINANCIAL INCOME

<i>(in € million)</i>	Year ended at 31 March 2014	Year ended at 31 March 2013
Net interest income on advances made to ALSTOM Holdings	172	156
Interest expenses on bonds	(168)	(153)
Interest expenses on borrowings	(4)	(3)
Provision	(900)	-
Bonds issuance costs and premiums recognised as income or expense	(5)	(4)
• <i>Amortisation expense on deferred charges</i>	(7)	(6)
• <i>Amortisation income on premium received</i>	2	2
Change differences	-	1
TOTAL	(905)	(3)

At 31 March 2014, 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 7.1), as a result of the test, the Company recorded a provision for impairment for an amount of €900 million as at 31 March 2014.

The interest income increase is explained by the raise of the average outstanding advance made to ALSTOM Holdings.

New bonds and also financial notes emitted (€850 million issued within the two last financial years-see Note 13) explain the increase of interest costs.

NOTE 5 • NON-RECURRING RESULT

<i>(in € million)</i>	Year ended at 31 March 2014			Year ended at 31 March 2013
	Non-recurring income	Non-recurring expense	Net amount	Net amount
Disposals of fixed assets	-	-	-	-
Addition or release of provisions	-	(30)	(30)	-
Other	-	(15)	(15)	(4)
TOTAL	-	(45)	(45)	(4)

Non-recurring costs are related to litigations on "Alleged anti-competitive activities" and "Alleged illegal payments" (see Note 11).

NOTE 6 • INCOME TAX

The €29 million mainly linked to the tax grouping and included €8 million charge for dividends tax.

In absence of tax grouping, a €15 million income tax charge would have been recorded at 31 March 2014.

The deferred tax position of the Company at 31 March 2014, amounting €1,050 million is mainly composed of Tax losses carry forward.

NOTE 7 • FINANCIAL ASSETS

<i>(in € million)</i>	At 31 March 2013	Provision	Release	At 31 March 2014
Investments				
• ALSTOM Holdings	9,216	-	-	9,216
• Impairment	-	(900)	-	(900)
TOTAL	9,216	(900)	-	8,316

7.1. Investments

ALSTOM Holdings is ALSTOM's sole significant subsidiary and owns all operating entities of the Group Alstom.

At 31 March 2014, the Company has performed an impairment test of its investments in ALSTOM Holdings based on a multi-criteria approach (see Note 2.1) which took into account the results of an internal valuation and assumed values within the framework of some transactions.

As a result of the retained value, the Company recorded a provision for impairment for an amount of €900 million as at 31 March 2014.

7.2. Advances

<i>(in € million)</i>	At 31 March 2013	Variation	At 31 March 2014
Advances to ALSTOM Holdings			
• Gross value	6,644	424	7,068
• Accrued interests	42	11	53
TOTAL	6,686	435	7,121

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

NOTE 8 • RECEIVABLES

Current receivables can be broken down as follows:

<i>(in € million)</i>	At 31 March 2014				At 31 March 2013	
	Total	Within one year	One to five years	Out of which related parties	Total	Out of which related parties
Current account with ALSTOM Holdings	12	12	-	12	-	-
Trade receivables	8	8	-	8	9	8
"Research tax credit & others" receivable from the French Tax administration	95	53	42	-	86	-
Other receivables	2	2	-	-	4	-
TOTAL	117	75	42	20	99	8

NOTE 9 • DEFERRED CHARGES

<i>(in € million)</i>	At 31 March 2013	Amount capitalised during the period	Amortisation expense of the period	At 31 March 2014
Bonds issuance costs and premiums	22	7	(8)	21

NOTE 10 • SHAREHOLDERS' EQUITY

10.1. Share capital

At 31 March 2014, ALSTOM's share capital amounted to €2,160,915,022 consisting of 308,702,146 ordinary shares with a par value of €7 each and fully paid.

The variations of share capital during the period are the following:

	Number	Par value (in €)
Existing shares at beginning of year	308,158,126	7
• capital increase	-	7
• reimbursement of bonds	101	7
• exercise of options	122,912	7
• subscription of shares under employee sharing program	421,007	7
EXISTING SHARES AT YEAR END	308,702,146	7

At 31 March 2013, ALSTOM's share capital amounted to €2,157,106,882 consisting of 308,158,126 ordinary shares with a par value of €7 and fully paid.

10.2. Changes in shareholders' equity

(in € million)	At 31 March 2013	Shareholders' Meeting held 2 July 2013	Other movements	At 31 March 2014
Capital	2,157	-	4	2,161
Additional paid-in capital	876	-	-	876
Legal reserve	206	3	-	210
Restricted reserve	22	-	(5)	17
General reserve	7,469	-	1	7,470
Retained earnings	840	(195)	-	645
Net profit	67	(67)	(852)	(852)
TOTAL	11,637	(259)	(852)	10,527

Following the decision of the Shareholders' Ordinary Meeting held on 2 July 2013, a €0.84 dividend per share was distributed, representing a total amount of €259 million, related to the financial year ended 31 March 2013.

"Other movements" for the period arise from:

- €4 million subscriptions of shares under employee sharing programme;

- a €1 million cash contribution, resulting from the exercise of options;
- the €(852) million net loss.

NOTE 11 • PROVISIONS FOR RISKS AND CHARGES

(in € million)	At 31 March 2013	Additions	Releases	At 31 March 2014
Litigations and disputes	39	30	-	69
LT conditional compensation plan	1	-	(1)	-
Post-employment defined benefits	8	2	-	10
TOTAL	48	32	(1)	79

11.1. Provisions for litigations and disputes

Alleged anti-competitive activities

GIS equipment

In April 2006, the European Commission commenced proceedings against Alstom, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears ("GIS equipment"), a product of its former Transmission & Distribution business sold to Areva in January 2004, following investigations that began in 2004.

On 24 January 2007, the European Commission levied a fine of €65 million against Alstom which includes €53 million on a joint and several basis with Areva T&D (Alstom Grid). Alstom has requested the cancellation of this decision before the General Court of the European Union. On 3 March 2011 the Court reduced the amount of fine levied against Alstom to €58.5 million out of which €48.1 million on a joint and several basis with Areva T&D (Alstom Grid). On 20 May 2011, Alstom requested the cancellation of this decision before the Court of Justice of the European Union. The final decision occurred on 10 April 2014 and the fine against Alstom was confirmed. The fine and the applicable interests will be paid upon notification of their due date.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages from all manufacturers concerned for a total reevaluated amount of £275 million since it bought GIS equipment at inflated prices due to alleged anti-competitive arrangements between manufacturers. Alstom contests the facts. The High Court of Justice in London decided that the final hearings would occur in June and July 2014. Two other similar civil actions started in May and September 2010 before national jurisdictions for a global amount of approximately €32 million are ongoing.

On 16 September 2013 the Israeli Antitrust Authority issued a decision whereby Alstom and other companies were held liable for anti-competitive arrangement in the GIS Israeli market. No fine will be imposed to Alstom arising out of this decision. Alstom prepares its defense to appeal this decision. Following this decision, the Israeli state-owned company for the power distribution started a civil action amounting to €784 million against the members of the alleged anti-competitive arrangement in December 2013. Two class actions have also been initiated against the members of the alleged anti-competitive arrangement for overcharge. These procedures are at a very preliminary stage. Alstom vigorously contests these procedures on the merits and considers it has good arguments to defend these cases.

Power transformers

On 20 November 2008, the European Commission sent a statement of objections to a number of manufacturers of power transformers, including Alstom, concerning their alleged participation in anti-competitive arrangements. Alstom has contested the materiality of the alleged facts. On 7 October 2009, the European Commission levied a fine of €16.5 million against Alstom which includes €13.5 million on a joint and several basis with Areva T&D (Alstom Grid). Alstom has requested the cancellation of this decision before the General Court of the European Union on 21 December 2009. The hearings on the merits took place on 9 July 2012 and the decision is expected to occur during the second semester of 2014.

Alleged illegal payments

Certain companies and/or current and former employees of the Group are currently being investigated in various countries, by judicial authorities (including in France, in the United States of America, in the United Kingdom and in Brazil) or international financial institutions with respect to alleged illegal payments in certain countries.

In the United States, the U.S. Department of Justice (DOJ) began in 2010 investigations on subsidiaries of the Group relating to alleged potential violations of the Foreign Corrupt Practices Act. The Group is working diligently with the DOJ to answer questions and produce documents associated with the projects which are in the scope of the DOJ investigations in order to address any possible improper conduct. At this stage, the discussions with the DOJ have not evolved to the point of negotiating a potential settlement regarding these investigations.

As regards the United Kingdom, the Serious Fraud Office (SFO) began investigations in 2010. As with the United States, the Group is keen to bring these investigations to a rapid conclusion.

With respect to these above mentioned matters, the Group is fully cooperating with the concerned authorities or institutions. These procedures may result in fines, exclusion of Group subsidiaries from tenders and third-party actions. At this stage the Group is unable to predict the outcome of any of these investigations.

The World Bank sanctioned Alstom for improper payment of €110,000 made in 2002 in relation to a World Bank-financed Zambian power rehabilitation project. On 22 February 2012, as part of a negotiated resolution agreement, the World Bank announced its decision to debar ALSTOM Hydro France and ALSTOM Network Schweiz AG (Switzerland) and their affiliates from public tenders financed by the World Bank for a period of three years. The Group paid also a restitution amount of \$9.5 million. This debarment qualifies for cross-debarment by the other multilateral development banks pursuant to the Agreement of Mutual Recognition of Debarments signed on 9 April 2010.

11.2. Provision for the long-term conditional compensation plan

The Chairman and Chief Executive Officer benefited from a long term conditional compensation plan linked to some Company's performances, over several years. This plan became null and void during the current year ended 31 March 2014 further to the non-achievement of one of the conditions and is not any more the object of a provision.

11.3. Provisions for post-employment defined benefits

The provision related to post-employment benefits represents the present value at year end of the obligations arising from defined benefits granted by the Company to the Chairman and Chief Executive Officer.

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.

The defined benefit plan covers all persons exercising functions within the Group in France whose base annual 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 liquidation up of their pension.

Even though the plan does not set a minimum seniority requirement of two years 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 gradually and only represent, per year of seniority in the scheme, a limited percentage of the annual compensation corresponding to 0.6% of the annual reference remuneration within a range of 8 to 12 times the Social Security ceiling and to 1.2% of the annual reference remuneration in excess of 12 times the Social Security ceiling. The annual reference remuneration is equal to the average fixed and variable remuneration received over the course of the past three years prior to retirement. This annual reference remuneration is capped at €2 million. Since 1 January 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC retirement scheme.

As such, given his seniority within the Group and assuming a retirement age of 65, the Chairman and Chief Executive Officer could, when he retires, claim a gross retirement pension under the defined benefit scheme equal to approximately 15% of the capped annual reference remuneration.

The gradual accrual of potential rights based on seniority in the scheme represents a percentage that is lower than the 5% cap on the beneficiary's remuneration provided for under the AFEP-MEDEF Code. Similarly, the maximum income percentage over which the supplemental retirement scheme would grant a right is much lower than the cap set under the AFEP-MEDEF Code, which is equal to 45% of the reference income.

There has been no change to this supplemental collective retirement scheme during the fiscal year.

The benefit obligation for the defined benefits plan is equal to €9,694,000 as at 31 March 2014, including statutory retirement indemnities and an amount of €3,028,000 of taxes applicable to supplemental retirement schemes as increased since 1 January 2013.

The defined contribution plan complements the defined benefit plan. The rights are acquired annually and cannot exceed 16% of four times the annual ceiling of French social security. The amount of contributions paid by Alstom within the defined contribution plan was €23,783 for fiscal year 2013/14. Assuming he retires at age 65, the Chairman and Chief Executive Officer could claim a gross retirement pension under the defined contribution scheme equal to approximately 1% of the capped annual reference remuneration, which corresponds to an aggregate gross retirement pension equal to approximately 16% by combining the pension resulting from the defined benefit scheme and the pension resulting from the defined contribution scheme.

NOTE 12 • BONDS REIMBURSABLE WITH SHARES

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

At 31 March 2014, a balance of 79,650 bonds is still outstanding amounting €0.1 million, in absence of notification from bondholders regarding the redemption. Those bonds represent 5,002 shares to issue.

NOTE 13 • BONDS

On 8 July 2013, Alstom has issued a new bond of €500 million with maturity date on 8 July 2019.

The movements in nominal amount of bonds over the past two years are as follows:

(Nominal value in € million)	Total	Maturity date								
		23/09/2014	09/03/2015	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		4.00%	4.25%	2.88%	3.88%	4.13%	2.25%	3.63%	3.00%	4.50%
Outstanding amount at 31 March 2012	3,810	750	60	500	500	750	-	500	-	750
Bonds issued	350						350			
Currency adjustments	3		3							
Repurchase	(7)	(7)								
Bonds reimbursed at maturity date	-									
Outstanding amount at 31 March 2013	4,156	743	63	500	500	750	350	500	-	750
Bonds issued	500								500	
Currency adjustments	(5)		(5)							
Repurchase	(21)	(21)								
Bonds reimbursed at maturity date	-									
OUTSTANDING AMOUNT AT 31 MARCH 2014	4,630	722	58	500	500	750	350	500	500	750

Accrued interests at 31 March 2014 amounting to €54 million are added to the outstanding principal amount in the balance-sheet.

In order to increase its liquidity, the Group completed a €1,350 million revolving credit facility, maturing in December 2016.

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

Covenants	Minimum interest cover	Maximum total debt (in € million)	Maximum total net debt leverage
	(a)	(b)	(c)
	3	6,000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense (excluding interest related to obligations under finance lease). It amounts to 8.0 at year end 31 March 2014 (11.2 at year end 31 March 2013).

(b) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. This covenant would apply if the Group is rated "non-investment grade" by both rating agencies, which is not the case At 31 March 2014.

(c) 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 is 1.9 as at 31 March 2014 (1.3 at 31 March 2013).

This facility is undrawn at 31 March 2014.

NOTE 14 • OTHER BORROWINGS

During the year ended at 31 March 2014, Alstom has made use of commercial papers programme.

The outstanding at 31 March 2014 is €188 million with has a maturity date within three months.

NOTE 15 • PAYABLES AND RELATED PARTIES

(in € million)	At 31 March 2014		At 31 March 2013	
	Total	Out of which related parties	Total	Out of which related parties
Trade payables	10	2	45	38
Payables to members of the tax group	76	76	78	78
Payables to members of the VAT group	-	-	6	6
Other tax and social security payables	2	-	2	-
Other liabilities	10	9	9	5
TOTAL	98	87	140	127

The Company is the head of a "VAT Group", with 10 members. This group allows making compensation between debit and credit statements of the 10 members.

NOTE 16 • MATURITY OF LIABILITIES

<i>(in € million)</i>	At 31 March 2014	Within one year	One to five years	More than five years	Out of which related parties
Bonds	4,684	834	2,600	1,250	-
Other borrowings	188	188	-	-	-
Trade payables	10	10	-	-	2
Other payables	88	88	-	-	85
TOTAL	4,970	1,120	2,600	1,250	87

NOTE 17 • DEFERRED INCOME

<i>(in € million)</i>	At 31 March 2013	Amount capitalised during the period	Amortisation income of the period	At 31 March 2014
Bonds issuance premiums	3	-	(2)	1

NOTE 18 • OTHER INFORMATION

18.1. Off balance sheet Commitments

Total outstanding guarantees given by the Company amount to €609.4 million At 31 March 2014, out of which €522.1 million Parent guarantees detailed as follows:

- €21.7 million lease guarantees;
- €497.2 million guarantees of commercial obligations contracted by the Transport Sector; and
- €3.2 million rent guarantees.

18.2. 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			
	Plan n°7 stock options	Plan n°8 stock options	Plan n°9 stock options	Plan n°10 stock options	Plan n°10 performance shares	Plan n°11 stock options	Plan n°11 performance shares
Grant date	17/09/2004	27/09/2005	28/09/2006	25/09/2007	25/09/2007	23/09/2008	23/09/2008
Exercise period	17/09/2007	27/09/2008	28/09/2009	25/09/2010		23/09/2011	
	16/09/2014	26/09/2015	27/09/2016	24/09/2017	n/a	22/09/2018	n/a
Number of beneficiaries	1,007	1,030	1,053	1,196	1,289	411	1,431
Adjusted number granted ⁽¹⁾	5,566,000	2,803,000	3,367,500	1,697,200	252,000	754,300	445,655
Adjusted number exercised since the origin	4,790,121	1,874,171	526,967	1,000	220,320	-	-
Adjusted number cancelled since the origin	417,200	266,800	396,250	236,800	31,680	754,300	445,655
Adjusted number outstanding at 31 March 2014	358,679	662,029	2,444,283	1,459,400	-	-	-
inc. to the present members of the Executive Committee	-	-	325,000	171,100	-	-	-
Adjusted exercise price ⁽²⁾ (in €)	8.60	17.88	37.33	67.50	n/a	66.47	n/a
Fair value at grant date (in €)	7.30	10.30	12.90	29.24	129.20	16.71	63.54

(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).

At 31 March 2014, stock options granted by plans 7, 8, 9, 10, 11, 12 and 13 are fully vested. For plans 7, 8, 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.

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

LTI plan 13 granted on 13 December 2010

The total number of options exercisable and performance shares to be delivered depends on the Group's operating margin for the fiscal years ended 31 March 2011, 31 March 2012 and 31 March 2013:

	% of options exercisable & performance shares to be delivered		
	Year ended 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

Based on consolidated financial statements for the fiscal years ended 31 March 2011, 31 March 2012 and 31 March 2013, the performance condition is achieved for 80% of an allotment of LTIP13 options and performance shares. 20% of options and performance shares are cancelled.

Plans issued by Shareholders Meeting on 26 June 2007

Plans issued by Shareholders Meeting on 22 June 2010

Plans issued by Shareholders Meeting on 26 June 2007		Plans issued by Shareholders Meeting on 22 June 2010							
Plan n°12 stock options	Plan n°12 performance shares	Plan n°13 stock options	Plan n°13 performance shares	Plan n°14 stock options	Plan n°14 performance shares	Plan n°15 stock options	Plan n°15 performance shares	Plan n°16 stock options	Plan n°16 performance shares
21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013
21/09/2012		13/12/2013		04/10/2014		10/12/2015		03/10/2016	
20/09/2017	n/a	12/12/2018	n/a	03/10/2019	n/a	09/12/2020	n/a	30/09/2021	n/a
436	1,360	528	1,716	514	1,832	538	1,763	292	1,814
871,350	522,220	1,235,120	740,860	1,369,180	804,040	1,312,690	781,540	671,700	1,000,700
-	182,432	-	240,770	-	460	-	-	-	-
556,270	339,788	367,808	223,658	418,428	228,308	181,993	103,948	10,000	23,800
315,080	-	867,312	276,432	950,752	575,272	1,130,697	677,592	661,700	976,900
50,100	-	107,320	736	300,000	34,400	306,000	38,700	275,000	110,000
49.98	n/a	33.14	n/a	26.39	n/a	27.70	n/a	26.94	n/a
11.26	48.11	7.59	31.35	3.14	19.77	5.80	26.70	3.84	22.62

3

LTI plan 14 granted on 4 October 2011

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the fiscal years ended 31 March 2012, 31 March 2013 and 31 March 2014:

	% of options exercisable & performance shares to be delivered		
	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

Based on consolidated financial statements for the fiscal years ended 31 March 2012, 31 March 2013 and 31 March 2014, the performance condition is achieved for 70% of an allotment of LTIP14 options and performance shares. 20% of options and performance shares are cancelled, 10% of options and performance shares would be cancelled after the Board of Directors on 6 May 2014.

LTI plan 15 granted on 10 December 2012

The total number of options exercisable and performance shares to be delivered will depend 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:

Year ended 31 March 2013	Year ended 31 March 2014	Year ended 31 March 2015
% of conditional options exercisable & performance shares to be delivered	% of conditional options exercisable & performance shares to be delivered	% of conditional options exercisable & performance shares to be delivered
FCF (*) ≥ 0 and OM (*) ≥ 7.4% 40%	FCF ≥ 0 and OM ≥ 7.6% 40%	FCF ≥ 0 and OM ≥ 8% 20%
FCF ≥ 0 and 7.2% ≤ OM < 7.4% 30%	FCF ≥ 0 and 7.3% ≤ OM < 7.6% 30%	FCF ≥ 0 and 7.5% ≤ OM < 8% 10%
FCF ≥ 0 and 7% ≤ OM < 7.2% 10%	FCF ≥ 0 and 7% ≤ OM < 7.3% 10%	FCF < 0 or OM < 7.5% -
FCF < 0 or OM < 7% -	FCF < 0 or OM < 7% -	-

(*) FCF means Free Cash Flow and OM means Operating Margin.

Based on consolidated financial statements for the fiscal years ended 31 March 2013 and 31 March 2014, the performance condition is achieved for 30% of an allotment of LTIP15 options and performance shares. 10% of options and performance shares are cancelled. 40% of options and performance shares would be cancelled after the Board of Directors on 6 May 2014.

LTI plan 16 granted on 1 October 2013

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin and the free cash flow for the fiscal years ended 31 March 2015 and 31 March 2016:

Year ended 31 March 2015	Year ended 31 March 2016
% of conditional options exercisable & performance shares to be delivered	% of conditional options exercisable & performance shares to be delivered
FCF (*) ≥ 0 and OM (*) ≥ 7.4% 40%	FCF ≥ 0 and OM ≥ 7.8% 60%
FCF ≥ 0 and 7.2% ≤ OM < 7.4% 20%	FCF ≥ 0 and 7.6% ≤ OM < 7.8% 40%
FCF < 0 or OM < 7.2% -	FCF ≥ 0 and 7.4% ≤ OM < 7.6% 20%
	FCF < 0 or OM < 7.4% -

(*) FCF means Free Cash Flow and OM means Operating Margin.

Movements

	Number of options	Weighted average exercise price per share (in €)	Number of performance shares
Outstanding at 31 March 2012	8,727,837	37.42	1,920,930
Granted	1,312,690	27.70	781,540
Exercised	(411,504)	12.95	(79,648)
Cancelled	(885,445)	42.32	(497,975)
Outstanding at 31 March 2013	8,743,578	36.58	2,124,847
Granted	671,700	26.94	1,000,700
Exercised	(122,912)	11.61	(340,344)
Cancelled	(442,434)	29.58	(279,007)
OUTSTANDING AT 31 MARCH 2014	8,849,932	36.49	2,506,196
of which exercisable	6,106,783		N/A

18.3. Severance payment and other benefits arising upon the termination of the mandate

At its meeting dated 28 June 2011, which took place after the General Shareholders' Meeting held on the same day, the Board of Directors that decided not to separate the functions of Chairman and Chief Executive Officer and to renew the term of office of Mr Patrick Kron as Chairman and Chief Executive Officer for the duration of his directorship, or until the end of the Ordinary Shareholders' Meeting called to approve the financial statements of the 2014/15 fiscal year, also decided that the commitments made to Mr Patrick Kron on 26 June 2007, as amended on 6 May 2008 and 4 May 2009 and approved by the General Shareholders' Meeting dated 23 June 2009, concerning benefits arising upon termination of the mandate, would be maintained without any change.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, Chairman and Chief Executive Officer, concern, as in the past, (i) the potential entitlement to the supplemental collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan from which benefit all persons exercising functions within the Group in France, the base annual remuneration of which exceeds eight

times the French Social Security cap, above mentioned, as well as (ii) the upholding, in the event of termination of his mandate as initiated by either the Company or himself, of only the rights to exercise the stock options and the rights to the delivery of the performance shares, that will have been definitively vested as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

Since these commitments are the same as those granted on 26 June 2007, as amended on 6 May 2008 and 4 May 2009 and approved by the General Shareholders' Meeting dated 23 June 2009, concerning benefits arising upon termination of the mandate described in Article L. 225-42-1 of the French Commercial Code, the Board of Directors, at its meeting dated 28 June 2011, approved and authorised their renewal insofar as necessary. They were approved by the General Shareholders' Meeting on 26 June 2012 and are presented in the Statutory Auditors' special report.

18.4. 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 requirement.

18.5. List of subsidiaries

ALSTOM Holdings is Alstom's sole significant 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	€8.3 billion
Gross value of loans and advances granted by the Company	€7.1 billion
Net value of loans and advances granted by the Company	€7.1 billion
Bonds and guarantees granted by the Company outstanding at 31 March 2014	-
Dividends paid by ALSTOM Holdings to the Company during financial year ended at 31 March 2014	-
ALSTOM Holdings shareholders' equity at 31 March 2013	€4.9 billion
ALSTOM Holdings shareholders' equity at 31 March 2014	€5.4 billion

NOTE 19 • SUBSEQUENT EVENTS

- On 24 April 2014, Alstom was downgraded by Standard & Poor's rating agency from BBB to BBB- on long term rating (which remains investment grade) and from A-2 to A-3 on short term rating with stable outlook.
- On 1 April 2014, the company Alstom Transport goes out of the tax group.
- On 30 April 2014, the Board of Directors of Alstom announced that it received a binding offer from General Electric (GE) to acquire its Energy activities. The scope of the transaction includes the Thermal Power, Renewable Power and Grid, as well as corporate and shared services. These businesses registered €14.4 billion in sales in fiscal year 2013/14. The proposed price is a fixed price representing an Equity Value of €12.35 billion and an Enterprise Value of €11.4 billion. Should this offer be approved and completed, Alstom would refocus on its Transport activities. Alstom should use the sale proceeds to strengthen its Transport business, pay down its debt and return

cash to its shareholders. The Board of Directors acknowledging unanimously the strategic and industrial merits of this offer, will take a month to review this offer. It has set up to this aim a committee of independent directors, led by Jean-Martin Folz, and comprised of Messrs Gérard Hauser, James W. Leng, Chairman of the nominations and remuneration committee, and Alan Thomson, Chairman of the Audit committee. This Committee appointed a financial expert and a legal advisor. Should the Board conclude positively, the information and consultation of Alstom employees' representatives bodies will be conducted before entering into a definitive agreement. Completion of the transaction would be subject to merger control and other regulatory clearances. In accordance with AFEP-Medef Code, the final approval of the transaction will be submitted to the shareholders. Bouygues, a 29% shareholder of Alstom, has committed not to sell its shares until this approval and has indicated that it will support the recommendation of the Alstom Board of Directors.

In the context of this binding offer, Alstom may not solicit offers from third parties for the acquisition of all or part of its Energy business. It has however reserved the right to consider unsolicited offers for its entire Energy business that could lead to a superior offer for Alstom. If, after having recommended the GE's offer, the Board of Directors were

to support another transaction, Alstom would owe GE a break-up fee equal to 1.5% of the purchase price.

The Board also review a declaration of interest received from Siemens, regarding an alternative transaction.

FIVE-YEAR SUMMARY

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

	Year ended				31 March 2014
	31 March 2010	31 March 2011	31 March 2012	31 March 2013	
1. Share capital at year end					
a) Share capital <i>(in € thousand)</i>	2,056,894	2,060,935	2,061,736	2,157,107	2,160,915
b) Number of outstanding issued shares	293,841,996	294,419,304	294,533,680	308,158,126	308,702,146
c) Par value of shares <i>(in €)</i>	7	7	7	7	7
2. Operations and income for the year <i>(in € million)</i>					
a) Dividends received	-	-	-	-	-
b) Income before tax, depreciation, impairment and provisions	118	125	70	65	56
c) Income tax credit	52	85	67	11	29
d) Net income after tax, depreciation, impairment and provisions	151	216	136	67	(852)
e) Dividends ⁽¹⁾	364	183	236	259	-
3. Earnings per share <i>(in €)</i>					
a) Net earning after tax, but before depreciation, impairment and provisions	0.58	0.71	0.46	0.25	0.28
b) Net earning after tax, depreciation, impairment and provisions	0.51	0.73	0.46	0.22	(2,76)
c) Net dividend per share ⁽¹⁾	1.24	0.62	0.80	0.84	-
4. Personnel					
a) Average headcount of the year	-	-	-	-	-
b) Amount of remuneration of the Chairman and Chief Executive Officer <i>(in € thousand)</i> ⁽²⁾	2,310	2,045	2,702	2,211	2,156
c) Amount of social charges and other welfare benefits for the year <i>(in € thousand)</i>	651	521	820	796	769

(1) For the last year-end, subject to the approval of the General Shareholders Meeting.

(2) The amount mentioned at 31 March 2012 also includes the payment for the Deputy Chief Executive Officer present on the exercise.

APPROPRIATION OF THE NET INCOME FOR THE PERIOD ENDED 31 MARCH 2014

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

The following appropriation of the loss of the year ended 31 March 2014 (€852,314,976.99) will be proposed to the next Shareholders' Meeting:

Net income for the financial year	€(852,314,976.99)
Retained earnings	€644,975,628.64
Allocation to Retained earnings	€(644,975,628.64)
Allocation to General reserve	€(207,339,348.35)

Dividend payouts in respect of the previous years were as follows:

- a dividend of €0.84 per share for the period ended 31 March 2013;
- a dividend of €0.80 per share for the period ended 31 March 2012;
- a dividend of €0.62 per share for the period ended 31 March 2011.

COMMENTS ON STATUTORY ACCOUNTS

3

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 significant subsidiary. The Company centralises a large part of the external financing of the Group and directs the funds to its subsidiary ALSTOM Holdings through loans and a current account. Fees from its indirect subsidiaries for the use of the ALSTOM name are the Company's main other source of revenue.

Income statement

The Company net loss amounted to €852 million and mainly comprised:

- €69 million operating income stemming from the fees for the use of ALSTOM name minus administrative costs and other external costs;
- €905 million financial charge, within €900 million depreciation of ALSTOM Holdings investment;
- €45 million non-recurring expense; and
- €29 million net income tax credit mainly linked to the tax grouping.

Balance sheet

Total of balance sheet amounts to €15,577 million and is made of:

- **assets:**
 - ALSTOM Holdings investments totalling €8,316 million in net value;
 - Advances to ALSTOM Holdings amounting to €7,121 million;

- **shareholders' equity and liabilities:**

- shareholders' equity amounts to €10,527 million and is made of:
 - share capital: €2,161 million,
 - paid-in capital: €876 million,
 - reserves: €7,697 million,
 - retained earnings: €645 million, and
 - net loss of the period: €852 million;
- outstanding bonds amounting to €4,684 million;
- other borrowings amounting to €188 million;
- tax and social payables (€78 million) out of which €76 million due to subsidiaries in accordance with the tax grouping agreements.

Information on trade payables

In accordance with by 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 for €6 million (*versus* €7 million at 31 March 2013) whose maturity is less than 60 days;
- invoices to come for €4 million (*versus* €38 million at 31 March 2013).

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended 31 March 2014)

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 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 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 captions or on information taken outside of the financial statements. 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 2014, 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 sampling 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 at 31 March 2013 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 are recorded as assets in your company's balance sheet for a net book value of € 9,216 million. Note 2.1 "Description of accounting policies - Investments" to the financial statements describes the methods adopted for accounting for 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 impairment test, as described in Note 7 "Financial assets" to the financial statements. The data and assumptions on which those estimates are based are uncertain by nature, and the future results may differ significantly from the initial forward looking data used;
- 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 the Note 11 "Provisions for risks and charges" 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

In accordance with professional standards applicable in France, we have also performed 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 relating to remuneration and benefits received by corporate officers 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 it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

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

Neuilly-sur-Seine and Courbevoie, 7 May 2014
The Statutory Auditors

PricewaterhouseCoopers Audit
Olivier Lotz

Mazars
Thierry Colin

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

(Annual General Meeting for the approval of the financial statements for the year ended 31 March 2014)

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

To the Shareholders,

In our capacity as Statutory Auditors of Alstom, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for the approval of the Annual General Meeting

We were not informed of any agreement or commitment authorised during the year to be submitted to the Annual General Meeting in accordance with Article L.225-38 of the French Commercial Code.

Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments approved in previous years but not implemented during the year

We were informed of the following agreements and commitments approved by the Annual General Meeting in previous years, which remained in force but were not implemented during the year ended 31 March 2014.

Agreement for industrial, commercial and financial cooperation with Bouygues

Directors concerned:

Georges Chodron de Courcel, Director of Bouygues

Nature and purpose:

Alstom and Bouygues signed an agreement for industrial, commercial and financial cooperation on 26 April 2006. The purpose of this agreement is to develop cooperation between the commercial networks of the two groups and, where possible, to realise integrated projects combining the civil engineering activities of the Bouygues Group with the equipment activities of the Alstom Group.

Conditions of the authorisation:

The agreement was authorised in advance by the Board of Directors on 21 April 2006 and approved by the Annual General Meeting on 26 June 2007.

Underwriting agreement on the bond issue of 23 September 2009

Directors concerned:

Georges Chodron de Courcel, Chief Operating Officer of BNP Paribas

Jean-Martin Folz, Director of Société Générale

Nature and purpose:

On 21 September 2009, Alstom entered into, in particular with BNP Paribas and Société Générale, an underwriting agreement in connection with its €500 million bond issue maturing on 23 September 2014, and for which the banks agreed to underwrite the placement of the bonds. The underwriting agreement carried a fee equal to 0.35% of the nominal amount, i.e., €1,750 thousand. The bonds were issued on 23 September 2009.

Conditions of the authorisation:

The underwriting agreement was authorised in advance by the Board of Directors on 21 September 2009 and approved by the Annual General Meeting on 22 June 2010.

Underwriting agreement on the bond issue of 1 February 2010

Directors concerned:

Georges Chodron de Courcel, Chief Operating Officer of BNP Paribas

Jean-Martin Folz, Director of Société Générale

Nature and purpose:

On 28 January 2010, Alstom entered into, in particular with BNP Paribas and Société Générale, an underwriting agreement in connection with its €750 million bond issue maturing on 1 February 2017, and for which the banks agreed to underwrite the placement of the bonds. The underwriting agreement carries a fee equal to 0.35% of the nominal amount, i.e., €2,625 thousand. The bonds were issued on 1 February 2010.

Conditions of the authorisation:

The underwriting agreement was authorised in advance by the Board of Directors on 22 December 2009 and approved by the Annual General Meeting on 22 June 2010.

Commitments falling within the scope of Article L.225-42-1 of the French Commercial Code with Patrick Kron, Chairman and Chief Executive Officer

Directors concerned:

Patrick Kron, Chairman and Chief Executive Officer of Alstom

Nature and purpose:

At its meeting of 28 June 2011, the Board of Directors reappointed Patrick Kron as Chairman and Chief Executive Officer for the length of his term of office as Director, i.e., until the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 March 2015, and also renewed the commitments made to Patrick Kron on 26 June 2007 in relation to benefits following the termination of his term of office. These commitments were amended on 6 May 2008 and 4 May 2009, and were approved by the Annual General Meeting of 23 June 2009. These commitments, the renewal of which was approved by the Annual General Meeting of 26 June 2012, are as follows:

Stock options and performance shares

In the event of termination of his term of office as Chairman and Chief Executive Officer, by either the Company or himself, the Chairman and Chief Executive Officer will only retain the rights to exercise stock options subject to performance conditions, and to the delivery of performance shares, granted before the end of his term of office, and that have vested in full as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

Stock options and performance shares that have not vested as of the end of his term of office may not be exercised or delivered.

Supplemental retirement schemes

The Chairman and Chief Executive Officer is entitled to a supplemental retirement scheme based on a defined contribution plan and a defined benefit plan, which was set up on 1 January 2004 for Group employees in France whose basic annual remuneration exceeds eight times the French social security ceiling.

This scheme provides for an annual pension equivalent to approximately 1.2% of the salary bracket above eight times this ceiling per year of service, capped at €2 million. Since 1 January 2008, this cap has been adjusted annually based on changes in the base salary used for determining supplemental retirement (AGIRC) benefits.

In addition to the defined contribution plan, the scheme comprises a defined benefit plan. Rights acquired annually under this plan by Group employees in France, whose basic annual remuneration exceeds eight times the French social security ceiling, may not exceed 16% of four times the French annual social security ceiling.

The contributions paid by Alstom to its Chairman and Chief Executive Officer under the defined contribution plan for the year ended 31 March 2014 amounted to €23,784. With respect to the defined benefit plan, the obligation assumed by Alstom at 31 March 2014 amounted to €9,694,000 including statutory retirement termination benefits and €3,028,000 in taxes applicable to supplemental retirement schemes as of 1 January 2013.

Agreements and commitments approved during the year

Furthermore, we were informed that the following agreements and commitments, already approved by an Annual General Meeting during the year ended 31 March 2014 (Annual General Meeting on 2 July 2013) referred to in the Statutory Auditors' report of 7 May 2013, remained in force but were not implemented during the year.

Underwriting agreement in connection with the share capital increase without pre-emptive subscription rights

Directors concerned:

Georges Chodron de Courcel, Chief Operating Officer of BNP Paribas

Jean-Martin Folz, Director of Société Générale

Nature and purpose:

On 1 October 2012, Alstom entered into an underwriting agreement with a group of banks, including BNP Paribas and Société Générale, in connection with the share capital increase without pre-emptive subscription rights carried out through a private placement for a maximum amount of €350 million including the issue premium. The banks undertook to underwrite the placement of the new shares. The remuneration paid to the four underwriters (including BNP Paribas and Société Générale) amounted to €6,550 thousand. A total of 13,133,208 shares were issued on 4 October 2012 representing a share capital increase of €350 million including the issue premium.

Conditions of the authorisation:

The underwriting agreement was authorised in advance by the Board of Directors on 1 October 2012.

Neuilly-sur-Seine and Courbevoie, 7 May 2014
The Statutory Auditors

PricewaterhouseCoopers Audit
Olivier Lotz

Mazars
Thierry Colin

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RISK FACTORS

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

The section below presents the main risk factors, both specific to Alstom and to its market environment. Together with the sections “Management report on consolidated financial statements fiscal year 2013/14” and “Group description of activities”, it constitutes the Board of Directors’ report on the Group’s management for fiscal year 2013/14.

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 (“cartography of Group risks”) and the Internal Control Questionnaire (“self-assessment questionnaire”).

RISKS IN RELATION TO ECONOMIC ENVIRONMENT AND GROUP ACTIVITIES

ECONOMIC ENVIRONMENT

Short-term and long-term evolution of Alstom’s markets is driven by a variety of complex and inter-related external factors, such as economic growth, political stability, public policies particularly on environmental issues and transportation, the availability of credit supply, price and availability of the different sources of fuels, as well as future demand of electricity, which depends in particular on the evolution of the economic situation.

Since the crisis of 2008, the macroeconomic 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, defaults on sovereign debt, as well as concerns about a macroeconomic environment weakened in the long-term, or regional or global returns to recessions.

Government measures to reduce public expenditures in relation to the large sovereign debts and government budget deficits, implemented particularly in Europe, may result in an increased reduction of public investments, notably in the rail transport market (which could limit the financing of new projects), and an additional tax burden increase in some countries.

Public budgetary restrictions, particularly in Europe, can cause a decrease in investments, delays in placing orders, in executing contracts or payments, as well as a decrease in measures to promote research and development.

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 deteriorate, this could, in particular, result in a deepened decline in electricity consumption, 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 countries addressed as “emerging”, in which Alstom has developed a strategy to strengthen its presence, are now showing lower growth prospects and are also 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 business activities, financial position, results or future outlook of the Group may be directly or indirectly impacted by the evolution of an unfavourable economic and political situation in these areas.

Worldwide demand analysis and key drivers for each Alstom’s businesses, as well as Alstom’s assessment of the short- and long-term impact of the contrasted economic situation on its business activities are presented in sections “Description of Group activities” and “Management report on consolidated financial statements fiscal year 2013/14”.

COMPETITIVE ENVIRONMENT

The Group 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. This increased competition puts pressure on prices and profit margins, but also on payment terms and conditions, quality of tenders, the manufacturing time frame, the technologies proposed and the quality of service 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 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 to secure, 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 in its various businesses is described in section "Description of Group activities".

The Group believes it competes effectively in most of its markets. It considers that its strong 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 may lead the Group to engage in important long-term contracts, often executed in consortium. Due to the complexity and the length of the projects in which Alstom participates, the effective costs and productivity could potentially differ from what the Group had initially projected. The profit margins generated by Alstom with respect to some of its contracts can, as a result, prove to be lower than those initially projected, 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.

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, 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 extremely 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 2014, the aggregate outstanding amount of guarantees over contract granted by banks and insurance companies totals €17 billion (please refer to Note 30 to the Consolidated financial statements for the year ended 31 March 2014). Alstom has established strict risk control procedures applying from tendering to contract execution and monitoring, through its Risk Committees at the Corporate and Sector levels, as well as procedures implemented within the Sectors, 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 damages. Such difficulties may have a significant adverse impact on the Group results and financial position.

In addition, damaging 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.

INNOVATION

The Group designs and manufactures high-technology products to meet its customers' needs and stay at the forefront of technological innovation in the power generation and transmission and rail transport sectors. The markets in which the Group operates quickly evolve with the development of new technologies, products and services. Alstom has to anticipate these changes and integrate new technologies or new products into its sales offer. This requires significant expenditures and investments of which the future profitability cannot be guaranteed.

The Group has launched very significant research and development programmes, some of them relating to the continuation of the

modernisation of Alstom range of turbines, the high and ultra high-voltage transmission technologies, smart grid systems, the development of wind turbines, the renewal of the range of trains and advanced signalling systems. In a highly competitive environment, the Group remains however exposed to the risk that more innovative or more competitive technologies are developed by competitors or introduced on the market more quickly or that the products it develops are not welcomed 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 products of large individual value that are used particularly in major infrastructure projects. 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 clients, 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 maintenance 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 clients.

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.

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, 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. See also Note 26.6 to the consolidated financial statements for the fiscal year ended 31 March 2014.

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, and clients or subcontractors, for certain types of key equipments. If dependent relationship exists, the equipments are clearly identified and existing suppliers are subject to an action plan 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, in the absence of an alternative option that is acceptable from both a technical and economic standpoint.

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 26.6 to the consolidated financial statements for the fiscal year ended 31 March 2014 presents the exposure to raw materials and manufactured goods and the management policy of this risk.

WORKING CAPITAL 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, 17 and 20 to the consolidated financial statements for the fiscal year ended 31 March 2014.

Finally, the development of the Group in emerging countries, often through the implementation of partnerships, notably for the Transport Sector, may also generate the risk that working capital needs 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.

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. The Group 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 costs reductions and Group production capacities.

COST REDUCTION PROGRAMMES

In recent years, Alstom has undertaken a number of measures aimed at reducing costs and adapting its employee base to adjust to a lower growth in client demand and price erosion, in order to improve its competitiveness. Due to the intensification of competition and to an economic climate that remains uncertain and contrasted across geographic zones, Alstom announced in November 2013 the acceleration of its savings plans within the framework of a plan launched at the Group level called the "d2e" ("dedicated to excellence") programme.

Staff reduction measures in markets in which demand has decreased could 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 the "d2e" performance plan, 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.

ASSETS DISPOSAL PROGRAMME

Alstom announced in November 2013 the implementation of an asset disposal programme targeting €1 to €2 billion of proceeds by the end of December 2014 by the proposed disposal of a minority stake in Alstom Transport and the sale of non-strategic assets.

Within this framework, Alstom signed on 1 April 2014 an agreement to sell its auxiliary steam manufacturing equipment whose final completion is expected before the end of first half of fiscal year 2014/15.

In addition, following the receipt and review by Alstom's Board of Directors of the binding offer from General Electric (GE) to acquire

Alstom's Energy activities (Power and Grid), the process for the sale of a minority stake in Alstom Transport has been put on hold. (See section "Management report on consolidated financial statements fiscal year 2013/14 – Post-closing events").

The Group cannot guarantee the successful or timely execution of its asset disposal programme, which could have an adverse effect on the Group's ability to strengthen its balance sheet, increase its financial flexibility and strengthen its strategic mobility in the absence of an alternative project for a strategic reorientation.

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, and the integration of successive business activities all makes for a complex environment. The Group has also set up partnerships to carry out the management of certain IT infrastructures and the support of some applications.

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 launch against their target.

Alstom has defined risk management rules, particularly with respect to data protection, access to confidential data, security of its applications 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.

Alstom is also involved in a multi-year programme for the renewal certain of its important applications aimed at reducing the planned obsolescence of systems, deploying standardised solutions for its main units and rationalising its operation processes. The magnitude of the programme 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 to be defaulting.

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 FINANCIAL MARKETS

CURRENCY EXCHANGE, INTEREST RATE, CREDIT AND LIQUIDITY RISKS

The Group is significantly exposed to currency exchange risks. Note 26 to the consolidated financial statements for the fiscal year ended 31 March 2014 presents the Group's exposure and sensitivity to currency exchange, interest rate, credit and liquidity risks, as well as the management policy of these risks. Detailed information on the Group financial debt amounting to €5,721 million as of 31 March 2014 is also given in Note 25 to the consolidated financial statements for the fiscal year ended 31 March 2014.

Currency risk

Operational currency risk

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. Main currencies triggering a significant exposure for the fiscal year ended 31 March 2014 are the Swiss franc and the US dollar. The hedging taken by the Group during tender periods or during contract execution is presented in Note 26.2 to the consolidated financial statements for the fiscal year ended 31 March 2014.

Risk of conversion

The Group does not hedge 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.

<i>(in € million)</i>	Consolidated net equity
Euro	1,878
Brazilian Real	761
Indian Rupee	755
US Dollar	516
Other Currencies	1,200
TOTAL	5,109

The following table shows the sensitivity of the Group sales and equity to a change in the exchange rate of the currencies below.

2013/14	Impact on equity before tax <i>(in € million)</i>		Impact on sales <i>(in € million)</i>	
	Variation of 1%	Variation of 5%	Variation of 1%	Variation of 5%
Brazilian Real	7.6	38.1	9.9	49.5
Indian Rupee	7.5	37.8	6.7	33.4
US Dollar	5.2	25.8	18.4	92.0
Sterling Pound	1.2	5.8	12.6	63.1

In the fiscal year ended 31 March 2014, the change in exchange rate had an impact of €(814) million on the amount of consolidated revenues of Alstom, and of €(326) million on its equity.

Liquidity risk

In addition to its free cash flow, €2,320 million as of 31 March 2014, the Group has a revolving credit facility (the "Credit Facility") maturing in December 2016, amounting to €1.350 billion and which is fully

undrawn. In light of these operations and of the maturity of its debt described below, the Group considers that it has sufficient financial flexibility to meet its financial obligations and needs.

BONDS ISSUES MATURITY

Instrument	Amount (in € million)	Maturity	Interest rate
Capital market			
Bonds	722	23 September 2014	4.000%
EMTN (RMB)	60	9 March 2015	4.250%
Bonds	500	5 October 2015	2.875%
EMTN	500	2 March 2016	3.875%
Bonds	750	1 February 2017	4.125%
EMTN	350	11 October 2017	2.250%
Bonds	500	5 October 2018	3.625%
EMTN	500	8 July 2019	3.000%
Bonds	750	18 March 2020	4.500%

Pursuant to its bonds and guarantees programmes, the Group has a committed revolving facility allowing for the issuance of bonds expiring on 27 July 2016 and of which the maximum amount is €9 billion (the "Committed Facility"). As of 31 March 2014 the available amount under the Committed Facility is €2 billion. In addition the Group has non-committed bilateral lines in numerous countries of up to a total amount of €10.9 billion as of 31 March 2014.

The Credit Facility and the Committed Facility are subject to financial covenants on the basis of consolidated data, disclosed in

Note 26 to the consolidated financial statements for the fiscal year ended 31 March 2014. Alstom complies with these covenants as at 31 March 2014 and does not anticipate any particular difficulty continuing to comply with these covenants.

Alstom is rated by the rating agencies Moody's Investors Services and Standard & Poor's since May 2008. The ratings below are regularly reviewed and the Group cannot ensure that they will remain at the same level.

Agencies

Moody's Investors Services⁽¹⁾

Short-term rating	P-3
Long-term rating	Baa3 (outlook negative)

Standard & Poor's⁽²⁾

Short-term rating	A-3
Long-term rating	BBB - (outlook stable)

(1) Moody's Investors Services revised the long-term credit rating from Baa2 to Baa3 (outlook stable) on 20 June 2013, and revised the long-term outlook from stable to negative on 23 January 2014.

(2) Standard & Poor's revised the long-term credit rating from BBB (outlook negative) to BBB - (outlook stable) and revised the short-term credit rating from A-2 to A-3 on 24 April 2014.

As of today the Group believes it has no major risk so as to access financial markets. A downgrading of Alstom's rating would however unfavourably impact the financial conditions of its financings and the access to certain financings. 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 a fixed-rate debt policy on interest rate risk. The exposure to interest rate fluctuations is primarily related to the management of free cash flow. Accordingly, the Group does not implement a policy of active management of its interest rate risk. However it may enter into transactions in order to hedge its interest rate risk on a case-by-case basis according to market opportunities. Additional information is given in Note 26.3 to the consolidated financial statements for the fiscal year ended 31 March 2014.

Credit and 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 projects execution, 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 Groups consolidated sales as indicated in Note 4.3 to the consolidated financial statements for the fiscal year ended 31 March 2014. Alstom also analyses the financial solvency of its

partners, suppliers and subcontractors to ensure their financial capacity to meet their contractual obligations. Regarding banking counterpart risk, the Group cash and cash equivalents are entirely invested deposits with banks of first rank. The Group accesses financial markets *via* banking counterparts of first rank.

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 stop an ongoing order. These risks could have adverse effects on revenues, profitability, financial position or the results of the Group.

EQUITY RISKS

Alstom holds majority shareholdings in listed companies it controls and it consolidates, and whose market values are continuously fluctuating. In the context of its current cash management, Alstom does not use share instruments. Alstom considers that it has no significant exposure

to equity risks, except risks in relation to defined benefit pension plans described below. See also Note 24 to the financial statements for the fiscal year ended 31 March 2014.

PENSION PLANS

Pursuant to certain of Alstom's defined benefit schemes, notably in the United Kingdom and the United States, Alstom is committed to providing cash to cover differences between the market value of the plan's assets and required levels for such schemes over a defined period. The Group 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.

If actual results, in particular actual performance of plans assets, were to materially differ from these assumptions the funded status of the Group plans may be significantly higher or lower. Over fiscal year 2013/14, improving financial markets coupled with rising interest rates resulted in an increase in the fair value of plan assets and a decrease in pension liabilities, respectively. This is reflected by a global improvement in the financial coverage of these plans (underfunded by €1,453 million as

of 31 March 2014 compared to €1,657 million as of 31 March 2013 before impact of assets ceiling). However, any deterioration in the financial coverage of plans may lead to increased financing needs with a correlative impact on the Group's treasury.

Further details on the methodology used to assess pension assets and liabilities together with the annual pension costs are included in Notes 2.3.22 and 24 to the consolidated financial statements for the fiscal year ended 31 March 2014.

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 consist primarily of goodwill and capitalised development costs. As of 31 March 2014, goodwill amounted to €5,281 million (see Note 11 to the consolidated financial statements for the fiscal year ended 31 March 2014) from the acquisition of companies in recent years. As of 31 March 2014, the capitalised development costs amounted to €1,369 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 assets occurs. Alstom believes that its consolidated financial statements give a true and complete picture of its assets and its financial position. 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 exogenous or endogenous 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 2014, the deferred tax assets of the Group amounted to €1,647 million. 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. If the Group believed that it could not realise its deferred taxes in the future, it should no longer recognise these assets on its balance sheet, which would have an adverse effect on the assets, financial position and net results of the Group.

RISKS IN RELATION TO ACQUISITIONS, DISPOSALS AND OTHER EXTERNAL GROWTH OPERATIONS

As part of its development strategy, Alstom may be required to 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 these new markets and strengthen these partnerships.

These operations include risks, in particular in relation to potential political or economic instability depending on the countries, in the difficulties that may arise in evaluating assets and liabilities relating to these operations, in integrating people, activities, technologies and products, as well as in implementing governance and compliance systems and procedures. Although the Group monitors the risks relating to these operations, no assurance exists that acquired businesses or companies do not contain liabilities which were not identified at the time of the operation for which Alstom would have no or insufficient protection from the seller or partner.

No assurance can also be given that such 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 (negotiation of a fair price for business activities after "due diligence") 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 the expected value of the company and the 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 may also have limited access to accounts and information of the legal entities in which it is a minority participant, and can therefore only have limited knowledge of their activities and performances.

In the past, the Group has disposed of certain businesses activities and may dispose of others in the future, particularly within the context of its asset disposal programme announced in November 2013. As is customary in the context of divestments, Alstom has made certain warranties and retained certain contracts and liabilities regarding the business activities being sold. As a result the Group may be required to bear increased costs on retained contracts and liabilities and required to pay indemnities or purchase price adjustments to the acquirer, which may have a material adverse effect on the Group's results and financial position.

LEGAL AND TAX RISKS

This section is to be read in relation to Note 30.2 to the consolidated financial statements for fiscal year ended 31 March 2014.

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 a large amount of 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 conventions, and to international norms and standards on combating bribery and money laundering, in particular.

Despite the measures Alstom has taken to comply with the regulations applicable to its business activities, the Group cannot guarantee that there will be no risk in this area. This is also due to the power of interpretation exercised by authorities and regulatory bodies as well as to changes in jurisprudence. Any violation or non-compliance of Alstom or any of its employees, even involuntary, could cause civil, criminal, or administrative liability of 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 the business activities, financial position, results or future outlook of the Group, 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 an 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.

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DISPUTES IN THE ORDINARY COURSE OF THE GROUP'S BUSINESS

The Group is engaged in several legal proceedings, mostly contract-related disputes that have arisen in the ordinary course of business. 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, long-term projects. Additional information is given in Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2014.

ALLEGATIONS OF ANTI-COMPETITIVE ACTIVITIES AND ILLEGAL PAYMENTS

The Group is subject to procedures for alleged anti-competitive practices described in Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2014. Anti-competitive practices can lead to significant sanctions, such as fines, the payment of damages, criminal charges, sales restrictions, or statutory prohibitions such as a temporary ban on making project bids.

Certain companies and/or current or former employees of the Group have been or are currently being investigated in various countries by judicial authorities (including in France, in the United States of America, in the United Kingdom and in Brazil) and international financial institutions with respect to alleged illegal payments in certain countries. The Group fully cooperates with the various authorities and institutions concerned.

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. Additional information is given in Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2014.

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 recalls the Alert Procedure and the role of Alstom employees in this area. Additional information on actions taken by Alstom in this area are presented in the Chairman's report in section "Corporate governance – Chairman's report – Internal control and risk management procedures report".

The Alstom Code of Ethics prescribes strict compliance by all Group employees with the rules of conduct to prevent anti-competitive

activities. 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 internal rules, laws and regulations in the area of competition law in the countries where Alstom carries out its activities, has been reinforced since 2012.

This programme 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. This programme, the implementation of which is placed under the responsibility of the Legal department, 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 trainings, based on the Group instruction "Compliance with competition or antitrust rules" available in various languages on the Alstom intranet site, are 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 Group has internal control rules and procedures to manage the risks linked to illegal activities and anti-competitive practices which have been constantly reinforced over the last years. Alstom actively strives to ensure that it appropriately addresses any problems that may arise.

However, given the extent of its activities worldwide, Alstom cannot be assured that such difficulties will not arise or that such difficulties will not have a material adverse effect on its reputation and/or results and financial position. For more information on the internal control system put in place within the Group, the Alstom Code of Ethics and the measures taken by the Ethics & Compliance Department, see section "Corporate governance – Chairman's report – Internal control and risks management procedures report".

ASBESTOS

In the past, the Group used and sold some products containing asbestos, particularly in France in its former Marine Sector sold on 31 May 2006 and to a lesser extent in its other Sectors. It has been the Group's policy for many years to abandon definitively the use of products containing asbestos by all of its operating units worldwide and to promote the

application of this principle to all of its suppliers, including in those countries where the use of asbestos is permitted. The Group is subject to asbestos-related legal proceedings or claims including in France and the United States, which are described in Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2014.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

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 environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and depollution, managing the severity of working conditions, exposure to hazardous chemical agents, and to ensuring that machines and equipment used for fire safety purposes comply with applicable regulations.

These standards expose the Group 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 the Group 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. Pursuant to the regulations applicable in the countries in which its business activities are conducted, the environmental impact of its business activities gives rise to Alstom's liability.

The Group implements best practices to reduce the risk of harm to the environment, health and the safety of its business activities. It regularly makes the necessary investments to meet the requirements of the regulations in force. Although the Group is involved in the remediation of contamination of certain industrial properties and other sites, it believes that its facilities are in compliance with their operating permits and that its operations are in compliance with environmental laws and regulations.

Alstom has developed processes for chemical agents or manufacturing components that include chemical agents. Regulatory changes (such as the REACH regulations in Europe) 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, 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 Corporate Environment, Health and Safety ("EHS") Department is responsible for defining and monitoring Alstom common procedures and best practices to ensure compliance with environmental, health and safety regulations and with the common rules of Alstom (the Alstom "EHS Roadmap"). The deployment of the EHS Roadmap is decentralised and monitored at each Sector, business and site level. The costs linked to environmental health and safety issues are budgeted at plant or unit level and included in the consolidated income statement.

It is not possible to provide any assurance that the Group will not be required to bear the costs of or will not be found liable for environmental matters, including in relation to any past activities or assets sold, to the business activities of its subsidiaries or subcontractors, including internationally, or to its obligations concerning health and safety. Furthermore, the Group 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 Group, as well as on its reputation. The Group has provisions of €36 million to cover environmental risks as of 31 March 2014.

The Group does not operate any industrial site identified on the list referred to in IV of Article L. 515-8 of the French Environment Code. The environmental, health and safety risks management policy is presented in section "Corporate governance – Chairman's report – Internal control and risk management procedures report".

SPECIFIC RISKS ASSOCIATED WITH HEALTH AND SAFETY

The very large diversity and nature of the business activities carried out by Alstom, the heterogeneity of safety norms and regulations in the countries in which Alstom operates, the diversity of the locations in which it operates, 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.

In addition, Alstom is concerned with liability claims related to asbestos brought against the Group as described in Note 30.2 to the consolidated

financial statements for the fiscal year ended 31 March 2014. 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 later on.

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 Group.

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 cartography of risks, 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 accidental damage and consequent business interruption caused by 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 €410 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 and China, where specific local policies are 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 reactions, 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 €70 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

For the Thermal Power and Renewable Power Sectors, a construction and installation policy covers damage to equipment being installed, with an insurance limit of €250 million per event for contracts having values of less than €1 billion and for which the duration of works is

less than 60 months. For the Transport Sector, a policy with a limit of €100 million per event is in place to cover contracts of the French entities. The Grid Sector has a policy with a limit of €50 million per event, to cover contracts less than €150 million and 60 months. Contracts and activities, notably Wind, not covered under these policies are insured specifically according to the needs. Construction and Installation policies are subject to customary limitations and exclusions, in particular war, radioactive contamination 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.





Self-insurance


The Group owned a reinsurance vehicle, created in 2000 and no longer used since 2004, to self-insure property damage and business interruption, civil liability and transportation risks. This vehicle was dissolved in December 2013. A new reinsurance vehicle was opened in June 2007 to self-insure a primary layer of €2 million of the construction and installation risk policy of the Power Sector. This vehicle, for which the maximum commitment was €10 million per year, has not been used since 1 January 2010.

The costs of the main Group policies represents approximately 0.5% of the annual consolidated sales for the fiscal year 2013/14.

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For many years, the Company has committed itself to carrying out the corporate governance principles published by the AFEP and the MEDEF.

The latest version of the Corporate Governance Code by which the Company abides is the AFEP-MEDEF Corporate Governance Code updated in June 2013.

In its first section, which is dedicated to corporate governance, the Chairman of the Board of Directors' report, as presented below pursuant to Article L. 225-37 of the French Commercial Code, presents the decisions made by the Board of Directors in that respect.

CHAIRMAN'S REPORT

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

Pursuant to the provisions of 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 2014, the composition of the Board of Directors, the application of the principle of balanced representation of men and women, the Corporate Governance Code by which the Company abides, 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 disclosure 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 6 May 2014, after the Audit Committee reviewed the chapter relating to the internal control and risk management procedures, after the Nominations and Remuneration Committee reviewed the chapter relating to corporate governance and after the Ethics, Compliance and Sustainability Committee reviewed the parts within its field of expertise only.

In a report attached, the Statutory Auditors will 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 the 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 June 2013 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 MEDEF internet site (www.medef.fr) and on the Company internet site (www.alstom.com, section "About us / Corporate governance").

Upon the report of the Nominations and Remuneration Committee, the Board of Directors annually reviews the Company corporate governance practices in order to identify the necessity to more accurately reflect these recommendations or to explain the discrepancies, if any. The Board of Directors also reviews specific topics upon recommendation of its Committees.

During the meetings held in March and May 2014, the Nominations and Remuneration Committee reviewed the practices of the Group in light of the AFEP-MEDEF Code updated in 2013 and made recommendations to the Company to increase its level of its compliance with the AFEP-MEDEF Code and further formalise certain recommendations in its internal rules.

Pursuant to Article L. 225-37 of the French Commercial Code, some differences relative to the recommendations of the AFEP-MEDEF Code are explained in this report and summarised in a specific paragraph (see page 220).

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 6 May 2014, the Board of Directors is composed of fourteen members, of whom seven are non-French nationals and nine are independent within the meaning of the AFEP-MEDEF Code (64%). Mr Patrick Kron, the 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 Internal Rules, since the renewal of such terms of office is distributed over three consecutive years. Upon the Nominations and Remuneration Committee's report, the Board of Directors examines the Board and Committees' composition 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 provide recommendations on proposals for new candidates or on the renewal of Directors' mandates submitted to the Board of Directors.

The Board of Directors has an ongoing objective to increase the diversity and complementarity of skills required for service on the Board, to internationalise its composition and to increase the representation of women.

In 2014, the Board acknowledged the request of Mr Georges Chodron de Courcel, Director for 12 years, not to renew his directorship expiring at the end of the general meeting convened on 1 July 2014, in order to allow him to be replaced by an independent Director and, as a result, increase the ratio of independent members serving on the Board. The Board paid tribute Mr Georges Chodron de Courcel for his contribution to the Board's work these past years.

Following a selection process led by the Nominations and Remuneration Committee with the assistance of an outside firm, at its meeting of 6 May 2014, the Board of Directors decided to recommend the appointment of Mrs Bi Yong Chungunco for a four-year period at the aforementioned general meeting.

The Board of Directors considered that Mrs Bi Yong Chungunco, whose biography is presented below, would contribute her experience as an executive manager of a major international industrial group and that she met all of the AFEP-MEDEF criteria to qualify as an independent Director.

Mrs. Bi Yong Chungunco, 51 years old, a Filipino citizen, is currently the Senior Vice President, Group General Counsel and Corporate Secretary 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). From 2010 to 2012, she is also Director of Malaysian French Chamber of Commerce. In 2002. 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 organization of tax practitioners in the Philippines. A lawyer by training, she worked in various law firms prior to joining companies' position.

At its meeting held on 6 May 2014, the Board of Directors also agreed to renew the directorships of four Directors (Bouygues SA represented by Mr Philippe Marien, Mr Olivier Bouygues, Mrs Lalita Gupte and Mrs Katrina Landis).

Following these renewed terms of office and this appointment, the Board would be comprised of fourteen Directors, ten of which would be independent Directors (71%), and the ratio of women on the Board would grow from 28% (4/14) to 36% (5/14).

There is no 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 will modify its articles of association in 2014 to determine the terms and conditions applicable to the appointment of the Director representing employees.

Pursuant to the Board's Internal Rules, each Director shall hold at least 500 shares. The number of shares held is generally higher than 500. As of 6 May 2014, Directors who are physical persons held an aggregate amount of 43,345 Company shares while Bouygues held 90,543,867 shares.

As of 6 May 2014, the members of the Board of Directors are the following:

Name	Title	Age	Independent Director	Committee membership			First Term Start	Current Term End	Years on Board	Experience
				Audit	N&R ⁽¹⁾	EC&S ⁽²⁾				
Patrick Kron	Chairman and CEO Director	60					2003 2001	2015	13	Industry
Candace K. Beinecke	Director	67			√		2001	2015	13	Law
Olivier Bouygues	Director	63				√	2006	2014	8	Industry
Georges Chodron de Courcel	Director	64		√			2002	2014	12	Bank, Finance
Pascal Colombani	Director	68	√	√		√	2004	2016	10	Industry, Technology
Jean-Martin Folz	Director	67	√			√ Chairman	2007	2015	7	Industry
Lalita D. Gupte	Director	65	√	√			2010	2014	4	Bank, Finance
Gerard Hauser	Director	72	√			√	2003	2016	11	Industry
Katrina Landis	Director	54	√			√	2010	2014	4	Industry
James W. Leng	Director	68	√			√ Chairman	2003	2015	11	Industry
Klaus Mangold	Director	70	√			√	2007	2015	7	Industry
Bouygues SA represented by Philippe Marien	Director	58		√			2008	2014	6	Finance
Amparo Moraleda	Director	50	√	√			2013	2017	1	Industry
Alan Thomson	Director	67	√	√			2007	2015	7	Finance Chairman

(1) Nominations and Remuneration Committee.

(2) Ethics, Compliance and Sustainability Committee.

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

The following provides a summary of the changes in the Board of Directors' composition that occurred over the course of the 2013/14 fiscal year as well as the changes expected to be made over the course of the current fiscal year:

	General Meeting dated 2 July 2013	General Meeting dated 1 July 2014
Departure/End of mandate	Mr Jean-Paul Béchat	Mr Georges Chodron de Courcel
Reappointment	N/A	Bouygues SA Mr Olivier Bouygues Mrs Katrina Landis Mrs Lalita Gupte
Appointment	Mrs Amparo Moraleda	Mrs Bi Yong Chungunco

Executive management

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

Following its January to March 2014 review of the operation of the Board of Directors, which was conducted with the assistance of an external advisor, at its meeting of 19 March 2014 the Board of Directors confirmed its decision to keep the functions of Chairman and Chief Executive Officer combined as one. It once again considered that this mode of governance, which has already proven its effectiveness, was still the most appropriate and, therefore, should be retained in order to maintain a reactive and efficient structure as it faces the competitive environment of today and tomorrow.

Various factors contribute to achieving a balanced and controlled corporate governance, including:

- a strong presence of independent Directors within the Board of Directors and the Committees, the chairing of which has been entrusted to independent Directors as from their creation;
- information updates and news disclosed 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 developed practice of enabling all Directors to jointly participate in determining the agenda of a Board of Directors' meeting once per year;
- 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, 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 Internal Rules of the Board also indicate that the Board of Directors' prior approval is required for:

- any operation that is not part of the Group's announced strategy or that could significantly affect it;

- any operation that could materially modify the financial structure or results of the Group;
- any acquisition or divestiture insofar as the amount exceeds €250 million, any decision to set up a partnership or joint venture where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion;
- organic growth investments in an amount higher than €250 million and requiring 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 whatever are the terms of payment (immediate or differed, in cash or in shares...). For a 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...).

It also indicates that the Board of Directors examines and approves the annual budget and the medium-term plan.

Lead Director

At its meeting dated 19 March 2014, in the context of the annual review of its operation and its ability to meet the demands of its shareholders, the Board of Directors also studied the possibility of including a Lead Director on the Board.

The Board acknowledged that a growing number of major companies have decided to assign specific duties to an independent Director in the event that the functions of Chairman of the Board of Directors and Chief Executive Officer are combined as one. It also noted that the creation of this position met the demands of investors in companies that did not opt to separate such powers.

Based on the recommendations of the Chairman and Chief Executive Officer and the Nominations and Remuneration Committee, 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.

In addition, the Chairman of the Nominations and Remuneration Committee considered that it would be preferable for the Lead Director to also be the Chairman of the Nominations and Remuneration Committee, since this Committee is responsible for matters related to governance.

The Board of Directors appointed Mr Jean-Martin Folz, an independent Director, to exercise the functions of Lead Director, effective as of 7 May 2014. Mr Jean-Martin Folz will become the Chairman of the Nominations and Remuneration Committee following the General Meeting convened on 1 July 2014 during which the appointments of the above-referenced Directors are to be confirmed. The composition of the Nominations and Remuneration Committee and of the Ethics, Compliance and of Sustainability Committee will then be reviewed based on the composition of the Board of Directors, as confirmed at the aforementioned General Meeting.

The Internal Rules of the Board of Directors, as modified on 6 May 2014, set the terms and conditions applicable to the exercise of the Lead Director's functions, whose main assignment will be to ensure the proper functioning of the Company's governance bodies. At its meeting held on 6 May 2014, the Board of Directors decided to fix the annual amount of the Director's fees payable to the Lead Director at €27,500.

Extract 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 combined and entrusted to the same individual, the Board of Directors shall 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 privileges:

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 can approach the Chairman of the Board of Directors and request that a meeting of the Board of Directors be convened 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 under 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 over 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 is, if need be, 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' meeting regarding his or her work.

The Secretariat of the Board of Directors makes itself available to the Lead Director to assist in the completion of his or her assignments.

Information on the Board members

The information provided below also constitutes the information of the Board of Directors' Report to the Shareholders' Meeting requested by the paragraph 4 of Article L. 225-102-1 of the French Commercial Code. The information is accurate as of 6 May 2014.

PATRICK KRON

Age: 60.

Nationality: French.

Professional address: Alstom – 3, avenue André-Malraux – 92300 Levallois-Perret (France).

Principal function: Chairman and Chief Executive Officer of Alstom.

End of current mandate: AGM 2015.

First mandate: 2001-2007.

Holds 9,011 shares.

Other current directorships and positions:**In France:**

Director of Bouygues (*);

Director of Sanofi (*);

Director of *Association Française des Entreprises Privées* (AFEP);

Vice President and Director of the Association of the choral Society "Les Arts Florissants".

Within the Alstom Group:

Chairman of ALSTOM Resources Management;

Chairman and Chief Executive Officer of ALSTOM Transport.

Abroad:

Within the Alstom Group:

Director and Managing Director of ALSTOM Asia Pte. Ltd.

Past directorships (held during the past five years):

Within the Alstom Group:

Director of ALSTOM UK Holdings Ltd.

(*) Listed company.

Biography:

Mr Patrick Kron is a graduate of *École polytechnique* and the Paris *École des mines*. He started his career in the French Ministry of Industry where he served from 1979 to 1984 before joining the Pechiney group. From 1984 to 1988, Patrick Kron held operational responsibilities in one of the group's most important factories in Greece, becoming manager of this Greek subsidiary. From 1988 to 1993, he occupied several senior operational and financial positions within Pechiney, first managing a group of activities in the processing of aluminium and eventually as President of the Electrometallurgy Division. In 1993, he became a member of the Executive Committee of the Pechiney group

and was appointed Chairman of the Board of the Carbone Lorraine Company from 1993 to 1997. From 1995 to 1997, he ran the Food and Health Care Packaging Sector of Pechiney and held the position of Chief Operating Officer of the American National Can Company in Chicago (USA). From 1998 to 2002, Mr Patrick Kron was Chief Executive Officer of Imerys before joining Alstom. He has been Chief Executive Officer of Alstom since 1 January 2003 and Chairman and Chief Executive Officer since 11 March 2003.

Mr Patrick Kron was awarded the *Légion d'honneur* on 30 September 2004 and is Officer of National Order of Merit since 18 November 2007.

CANDACE K. BEINECKE

Age: 67.

Nationality: American.

Professional address: Hughes Hubbard & Reed LLP – One Battery Park Plaza, New York, NY 10004 – 1482 (USA).

Principal function: Chair of Hughes Hubbard & Reed LLP.

End of current mandate: AGM 2015.

First mandate: 24 July 2001 – 26 June 2007.

Member of the Nominations and Remuneration Committee.

Holds 600 shares.

Other current directorships and positions:**In France:**

–

Abroad:

Chairperson of the First Eagle Funds ^(*), a leading US public mutual fund family;

Member, Board of Trustees, Vornado Realty Trust (NYSE) ^(*);
Member, Board of Directors, Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc.

Non-profit organisations:

Director, Vice-Chair and member of the Executive Committee, the Partnership for New York City;
Trustee, The Wallace Foundation;
Trustee, The Metropolitan Museum of Art.

Past directorships and positions (held during the past-five years):**In France:**

–

Abroad:

–

Biography:

Mrs Candace K. Beinecke, Chair of Hughes Hubbard & Reed LLP, was named to her current position in 1999, the first woman to chair a major New York law firm. Mrs Beinecke is also a practicing partner in Hughes Hubbard's Corporate Department. Mrs Beinecke serves as Chairperson of First Eagle Funds, a leading US public mutual fund family. She is a Board member of Vornado Realty Trust (NYSE), 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 a Trustee of The Wallace Foundation, and as Trustee of The Metropolitan Museum of Art. She is also a member of the Board of Advisors, Yale Law School Center for the Study of Corporate Law. She has been included in The Best Lawyers in America, in Chambers, and in the *National Law Journal's* 100 Most Influential Lawyers in America, and one of the "25 New York executives whose contributions in and beyond business changed the City".

OLIVIER BOUYGUES

Age: 63.

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 2014.

First mandate: 28 June 2006 – 22 June 2010.

Member of the Nominations and Remuneration Committee.

Holds 2,000 shares.

Other current directorships and positions:**In France:**

Chief Executive Officer of SCDM;
Standing representative of SCDM at the Board of Bouygues ^(*);
Chairman of SCDM Énergie;
Chairman of SAGRI-E and SAGRI-F;

Director of Finagestion;
Manager of SIR.

Within Bouygues group:

Director of TF1 ^(*), Bouygues Telecom, Colas ^(*), Bouygues Construction and Eurosport.

.....
(*) Listed company.

Abroad:

Within Bouygues group:

Chairman and Director of Bouygues Europe (Belgium);

Outside Bouygues group:

Chairman and Chief Executive Officer and Director of SECI (ex-Saur Énergie de Côte d'Ivoire);

Director of Compagnie Ivoirienne d'Électricité (CIE) (*), of Société de Distribution d'Eau de la Côte d'Ivoire (Sodeci) (*), and of Société Sénégalaise des Eaux.

Past directorships (held during the past-five years) outside Bouygues group:

In France:

Chairman of the Board of Finagestion (2009);
Permanent representative of SCDM, Chairman of the Board of SCDM Investcan and SCDM Investur (2010);

Member of the Executive Committee of Cefina (2010);
Permanent representative of SCDM, Chairman of the Board of SCDM Énergie (2011);
Manager of SIB (2011).

Abroad:

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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 held the position of Chairman and CEO of Maison Bouygues. In 1992, he was appointed group Executive Vice President for Utilities Management, a division covering the French and international activities of Saur. In 2002, Mr Olivier Bouygues was appointed Deputy Chief Executive Officer of Bouygues.

GEORGES CHODRON DE COURCEL

Age: 64.

Nationality: French.

Professional address: BNP Paribas – 3, rue d'Antin – 75002 Paris (France).

Principal function: Chief Operating Officer of BNP Paribas (*).

End of current mandate: AGM 2014.

First mandate: 3 July 2002 – 28 June 2006.

Member of the Audit Committee.

Holds 982 shares.

Other current directorships and positions:

In France:

Director of Bouygues (*);
Director of Société Foncière, Financière et de Participations (FFP) (*);
Director of Nexans (*);
Member of the Supervisory Board of Lagardère SCA (*).

Within BNP Paribas group:

Director of Verner Investissements SAS;
Non-voting Director of Exane (a subsidiary of Verner).

Abroad:

Director of Erbé SA (Belgium);
Director of Group Bruxelles Lambert-GBL (Belgium) (*);
Director of Scor Holding (Switzerland) AG (Switzerland);
Director of Scor Global Life Rückversicherung Schweiz AG (Switzerland);
Director of Scor Switzerland AG (Switzerland);
Director of Scor Global Life Reinsurance (Ireland).

Within BNP Paribas group:

Chairman of BNP Paribas (Switzerland) SA (Switzerland);
Vice-Chairman of Fortis Banque SA/NV (Belgium) (*).

Past directorships (held during the past-five years):

In France:

Non-voting Director of Safran (*);
Non-voting Director of Scor (*).

Abroad:

Director of Compagnie Nationale à Portefeuille (Belgium);

Within BNP Paribas group:

Director of BNP Paribas ZAO (Russia);
Chairman of Compagnie d'Investissement de Paris SAS;
Chairman of Financière BNP Paribas SAS.

Biography:

Mr Georges Chodron de Courcel graduated in 1971 from *École centrale de Paris* and received a degree in Economics in 1972. He began his career with Banque Nationale de Paris where he has had a succession of responsibilities. After having spent six years in Corporate Banking, he was named Head of Equity Research and then Head of Asset Management. In 1989, he was appointed Director of Corporate Finance and Chief Executive Officer of Banexi. In January 1991, he became Head of Capital Markets and in September 1996, was appointed Chief Executive International and Finance of BNP. After the merger with Paribas in August 1999, he was named Head of Corporate and Investment Banking and was Member of the Executive Committee, then Chief Operating Officer in June 2003.

(*) Listed company.

PASCAL COLOMBANI

Age: 68.

Nationality: French.**Professional address:** A.T. Kearney – 23, rue de l'Université – 75007 Paris (France).**Principal function:** *Senior Advisor*, A.T. Kearney.**End of current mandate:** AGM 2016.**First mandate:** 9 July 2004 – 24 June 2008.*Independent Director.**Member of the Audit Committee.**Member of the Ethics, Compliance and Sustainability Committee.*

Holds 600 shares.

Other current directorships and positions:**In France:**

Non-Executive Chairman of the Board of Directors of Valeo (*);

Non-Executive Director of Technip (*);

Vice-Chairman, National Strategic Council for Research.

Abroad:

Independent Director of Noordzee Helikopters Vlaanderen (NHV) (Belgium).

Past directorships (held during the past five years):**In France:**

Non-Executive Director of Rhodia (*) (2005-2011);

Senior Advisor of Detroyat Associés and Banque Arjil (2006-2009).

Abroad:

Non-Executive Director of British Energy Group plc (subsidiary of EDF) (2003-2011);

Non-Executive Director of EnergySolutions Inc (*) (USA) (2009-2013).

Biography:

Mr Pascal Colombani is a graduate of *École normale supérieure* (Saint-Cloud) and holds a doctorate in Nuclear Physics. His career has been balanced between research and industry: he started as a research associate at the French National Centre for Scientific Research (CNRS) then joined Schlumberger where he spent almost twenty years in various management positions in Europe, the USA, and Japan. In this last assignment, while President of Schlumberger KK in Tokyo, he also initiated the implantation of an R&D centre in China. Director of Technology at the French Ministry of Research from 1997 to 1999, he became Chairman and Chief Executive Officer of the French Atomic Energy Commission (CEA) in 2000 until December 2002. He initiated the restructuring of the CEA industrial holdings, resulting in the creation of Areva in 2000, the nuclear engineering conglomerate. He chaired the Supervisory Board of Areva until 2003. Mr Pascal Colombani is Senior Advisor on Innovation, High Technology and Energy at A. T. Kearney, the management consultancy. He is also Non-Executive Chairman of the Board of Directors of Valeo and member of the Board of Technip. He is a member of the French Academy of Technologies and of the French National Strategic Council for Research. Mr Pascal Colombani is Officer of the *Légion d'honneur* and Officer of the National Order of Merit.

JEAN-MARTIN FOLZ

Age: 67.

Nationality: French.**Principal function:** Director of companies.**End of mandate:** AGM 2015.**First mandate:** 26 June 2007 – 28 June 2011*Independent Director.**Chairman of the Ethics, Compliance and Sustainability Committee.*

Holds 1,000 shares.

Other current directorships and positions:**In France:**

Director of Saint-Gobain (*);

Director of Société Générale (*);

Director of AXA (*).

Abroad:Director of Solvay (*) (Belgium) ⁽¹⁾.**Past directorships and positions (held during the past five years):****In France:**

Member of the Supervisory Board of ONF Participations (SAS) (2008-2011);

Director of Carrefour (*) (2007-2011);

Chairman of *Association Française des Entreprises Privées* (AFEP) (2007-2010);

Chairman and member of the Board of Directors of Eutelsat Communications (*) (2011-2013).

Abroad:

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Biography:

Mr Jean-Martin Folz is a graduate of *École polytechnique*. He started his career in the French Ministry of Industry where he served from 1972 to 1978. Then he joined the Rhône-Poulenc group in 1978. He became Deputy Chief Executive Officer and, then, Chairman and Chief Executive Officer of Jeumont-Schneider between 1984 and 1987. He then joined Pechiney as Chief Operating Officer up to 1991, and was appointed Chairman of Carbone Lorraine. He was Chief Executive Officer of Eridania Béghin-Say and Chairman of Béghin-Say from 1991 to 1995. In 1995, he joined PSA Peugeot Citroën group and was appointed Chairman of the group in 1997. He left the group in February 2007. He was Chairman of AFEP from 2007 to 2010.

(*) Listed company.

(1) Up to 13 May 2014.

LALITA D. GUPTA

Age: 65.

Nationality: Indian.

Professional address: Mhaskar Building, 153 C Matunga,
Sir Bhalchandra Road – Mumbai 400019, India.

Principal function: Non-Executive Chairman, ICICI Venture Funds
Management Company Limited.

End of current mandate: AGM 2014 (appointed on 22 June 2010).

Independent Director.

Member of the Audit Committee.

Holds 500 shares.

Other current directorships and positions:

In France:

–

Abroad:

Non-Executive Chairman of Swadhaar FinServe Pvt. Ltd, Mumbai
(India) ⁽¹⁾;

Non-Executive Director of the Board of Bharat Forge Ltd ^(*), Pune
(India);

Non-Executive Director of the Board of Kirloskar Brothers Ltd ^(*),
Pune (India);

Non-Executive Director of the Board of Godrej Properties Ltd ^(*),
Mumbai (India);

Non-Executive Director of Sesa Sterlite Limited ^(*), Mumbai (India);
She is also a Member of the CAPP (Center for Asia Pacific Policy)
Board of RAND.

Non-Executive Member of the Indian Advisory Council of Rothschild
(India) Private Limited (2007-2012);

Non-Executive Member of the Board of Directors of Firstsource
Solutions Ltd ^(*) (India) (2006-2010);

Non-Executive Member of the Board of Nokia Corporation ^(*) (Finland)
(2007-2011).

Biography:

Mrs Lalita D. Gupta is currently Chairperson of ICICI Venture Funds
Management Company Limited. She retired at the end of October 2006
as Joint Managing Director and Member of the Board of ICICI Bank
Limited. Mrs Lalita D. Gupta was responsible for setting up the
International business of ICICI Bank since 2001.

Beginning her career with ICICI Limited in 1971 in the project appraisal
division, Mrs Lalita D. Gupta has held various leadership positions
in areas of Corporate and Retail Banking, Strategy, Resources, and
International Banking and other areas. She was instrumental in
transforming ICICI Bank from a primarily term lending institution into
a technology led diversified financial services group. Mrs Lalita D. Gupta
was at the helm of ICICI Bank's global foray, which includes operations
in over seventeen countries.

Mrs Lalita D. Gupta joined the Board of ICICI Ltd in 1994 as Executive
Director and remained on the Board including as Joint Managing
Director until 2002 when it merged with ICICI Bank and she became
Joint Managing Director of ICICI Bank from 2002-2006.

Mrs Lalita D. Gupta has received numerous awards and recognitions.
Mrs Lalita D. Gupta holds a Bachelor's Degree in Economics (Hons) and
a Master's degree in Management Studies. She attended the Advanced
Management Programme (AMP) at Insead.

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

In France:

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Abroad:

Non-Executive Member of the Board of HPCL-Mittal Energy Ltd,
Delhi (India) (2007-2013);

Non-Executive Member of Welham Girl's School (2007-2013);

Member of the Dean's Advisory Board of the Rotman School
of Management, University of Ontario (2007-2013).

Non-Executive Member of the Board of Management of SVKM's
NMIMS University (2003-2013);

End of current mandate: AGM 2016.

First mandate: 11 March 2003 – 9 July 2004.

Independent Director.

Member of the Nominations and Remuneration Committee.

Holds 5,002 shares.

GÉRARD HAUSER

Age: 72.

Nationality: French.

Principal function: Director of companies.

Past directorships (held during the past five years):

In France:

Chairman and Chief Executive Officer of Nexans ^(*) (17 October 2000 –
26 May 2009) and Director of Nexans until October 2011;

Director of Aplix (12 June 1998 – 14 January 2009);

Director of Faurecia ^(*) (22 July 2003 – 23 April 2009).

Abroad:

–

Other current directorships and positions:

In France:

Director of Technip ^(*);

Director of Ipsen ^(*);

Director of Delachaux;

Chairman of Supervisory Board of Stromboli Investissement (SAS).

Abroad:

Director of Mecaplast (Monaco).

(*) Listed company.
(1) Up to 29 May 2014.

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.

KATRINA LANDIS

Age: 54.

Nationality: American.

Professional address: BP Alternative Energy – 1101 New York Avenue NW – Washington, DC, 20005 (USA).

Principal function: Executive Vice President BP plc (*), Corporate Business Activities.

End of current mandate: AGM 2014 (appointed on 22 June 2010).

Independent Director.

Member of the Ethics, Compliance and Sustainability Committee.

Holds 500 shares.

Other current directorships and positions:**In France:**

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Abroad:

Member of the Advisory Council of the American Center of Renewable Energy.

Past directorships (held during the past five years):**In France:**

–

Abroad:

Chief Executive Officer and Group Vice President BP Alternative Energy (2009-2013);

Chief Operating Officer and Group Vice President BP Alternative Energy (2008-2009);

Member of the Board of Directors (Non-Executive Director) of Hydrogen Energy International Limited (2008-2009).

Biography:

Since 1 May 2013 Mrs Katrina Landis assumes the role of Executive Vice President BP plc, Corporate Business Activities. Her portfolio of businesses is expanded to include BP Shipping, Integrated Supply and Trading, Group Technology, and Remediation Management, in addition to Alternative Energy Division of which she was the Chief Executive Officer since 2009.

Mrs Katrina Landis joined BP Alternative Energy as Group Vice President in 2008 and was appointed CEO of the division in 2009. Prior to that she served in a variety of senior roles as the Chief Operating Officer of BP Alternative Energy from 2008 to 2009, Group Vice President of BP Integrated Supply and Trading from 2007 to 2008, and Chief Executive Officer of BP Integrated Supply and Trading – Oils America from 2003 to 2006. Before joining the BP Group in 1992, Mrs Katrina Landis owned and operated a consulting company.

Mrs Katrina Landis serves on Earth Day Network's Global Advisory Committee for the "Women and the Green Economy"® programme, and was named as an Ambassador to the U.S. Department of Energy's U.S. Clean Energy Education & Empowerment. She holds a degree in Psychology from the University of Mary Washington and a degree in Computer Science from the University of Alaska. In addition, she has received executive level MBA training at the University of Michigan and Stanford.

JAMES W. LENG

Age: 68.

Nationality: British.

Professional address: AEA Investors (UK) Limited – 78 Brook Street – London, W1K 5EF (United Kingdom).

Principal function: Chairman of AEA Investors Europe.

End of current mandate: AGM 2015.

First mandate: 18 November 2003 – 26 June 2007.

Independent Director.

Chairman of the Nominations and Remuneration Committee.

Holds 1,150 shares.

Other current directorships and positions:**In France:**

–

Abroad:

Director of Pregis Holding I Corporation;
Director of Pregis Holding II Corporation;
Senior Independent Director of Genel Energy plc and Chairman of the Remuneration Committee;
European Chairman of AEA Investors (UK) LLP;
Non-Executive Director of Aon plc (UK).

Past directorships (held during the past-five years):**In France:**

–

Abroad:

Nominated Executive of Convenience Food Systems (7 July 2004 – 15 January 2009);
Non-Executive Director of Rio Tinto plc (14 January 2009 – 7 February 2009);
Non-Executive Director of Rio Tinto Limited (14 January 2009 – 7 February 2009);

(*) Listed company.

Chairman of Tata Steel Europe Limited (14 November 2008 – 31 March 2009);
 Deputy Chairman of Tata Steel Limited (*) (17 May 2007 – 7 July 2009);
 Chairman of Doncasters Group Limited (20 December 2006 – 31 December 2009);
 Non-Executive Director of CforC Limited (29 April 2009 – 15 December 2010);
 Non-Executive Director of Vallares Holding Co. Limited (2 June 2011 – 21 November 2011);
 Non-Executive Director of TNK-BP Limited (15 January 2009 – 31 December 2011);
 Non-Executive Director to the Ministry of Justice (4 January 2011 – 2 August 2012);
 Non-Executive Director of JO Hambro Investment Management Ltd (12 October 2010 – 10 August 2012);
 Non-Executive Director of HSBC Bank plc (12 October 2010 – 31 December 2013);
 Non-Executive Chairman of HSBC Bank plc (6 August 2012 – 31 December 2013).

Biography:

Mr James W. Leng is a Non-Executive Director on the Board of Alstom, where he chairs the Nominations and Remuneration Committee, and European Chairman of AEA Investors (UK) LLP, a private equity partnership. He is a Senior Independent Director of Genel Energy plc. He is also Chairman of the Gyll-Leng Charitable Trust established in 2010 to assist young children from disadvantaged backgrounds. From 2003 to 2008 he was Chairman of Corus Group plc, a global steel company sold to Tata Steel of India where he was also Deputy Chairman until July 2009. Past Non-Executive Directorships include Chairman of Doncasters Group Ltd (Precision Engineering), TNK-BP (Oil & Gas), Pilkington plc (Glass), Hanson plc (Aggregates & Building Products), IMI plc (Engineering) and HSBC Bank plc, Non-Executive Director of JO Hambro Investment Management Ltd and Lead Non-Executive Director at the Ministry of Justice. In an executive capacity he was Chief Executive Officer of Laporte plc, an international speciality chemicals company and before that Low & Bonar plc a diverse materials and packaging company. His early business years were spent at John Waddington plc where he was Managing Director of a number of their subsidiaries including consumer goods and packaging companies.

KLAUS MANGOLD

Age: 70.

Nationality: German.

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

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

End of current mandate: AGM 2015.

First mandate: 26 June 2007 – 28 June 2011.

Independent Director.

Member of the Nominations and Remuneration Committee.

Holds 20,000 shares.

Other current directorships and positions:**In France:**

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Abroad:

Vice-Chairman Europe of Rothschild, Paris/London;
 Member of the Supervisory Board of Metro AG (*);
 Member of the Supervisory Board of Continental AG (*),
 Hannover, Germany;
 Chairman of the Supervisory Board of TUI AG (*), Hannover, Germany;
 Chairman of the Supervisory Board of ALSTOM Deutschland AG,
 Germany.

Past directorships and positions (held during the past-five years):**In France:**

–

Abroad:

Member of the European Advisory Council of Rothschild, Paris/London;
 Member of the Supervisory Board of Drees & Sommer AG, Stuttgart;
 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. 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), Metro AG 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. Klaus Mangold is Honorary Consul of the Russian Federation for Baden Württemberg since 2005. He is a Commander of the *Légion d'honneur* in France.

(*) Listed company.

AMPARO MORALEDA

Age: 50.

Nationality: Spanish.**Professional address:** Rodriguez Marín, 21-3^o – 28002 Madrid – Spain**Principal function:** Non-Executive Director of companies.**End of current mandate:** AGM 2017 (Appointed on 2 July 2013).*Independent Director.**Member of the Audit Committee.*

Holds 500 shares.

Other current directorships and positions:**In France:**

Member of the Board of Directors of Faurecia (*).

Abroad:

Member of the Board of Directors of Solvay (*) (Belgium);
 Member of the Board of Directors of Meliá Hotels International S.A. (*) (Spain);
 Member of the Board of Corporación Financiera Alba, S.A. (*) (Spain);
 Member of the Supervisory Board of CSIC (*Consejo Superior d'Investigaciones Científicas*) (Spain).

Past directorships and positions (held during the past-five years):**In France:**

–

Abroad:

Member of the Board of Directors of Acerinox S.A. (*) (January 2008 – June 2009).

Biography:

Mrs Amparo Moraleda graduated as an engineer from the ICAI (*Escuela Técnica Superior de Ingeniería Industrial*) Madrid and holds an MBA from IESE Business School in Madrid.

She was from January 2009 and until February 2012 Chief Operating Officer – International Division of Iberdrola SA, one of the world's leading power utilities.

Previously, from 1988 to 2008, she held various positions within the IBM group she joined as Systems Engineer. From June 2001 to June 2005, she was notably General Manager of IBM Spain and Portugal. Between June 2005 and December 2008, she was General Manager of IBM Spain, Portugal, Greece, Israel and Turkey.

ALAN THOMSON

Age: 67.

Nationality: British.**Professional address:** HAYS plc – 250 Euston Road, London (United Kingdom).**Principal function:** Chairman of HAYS plc (*).**End of current mandate:** AGM 2015.**First mandate:** 26 June 2007 – 28 June 2011.*Independent Director.**Chairman of the Audit Committee.*

Holds 1,500 shares.

Other current directorships and positions:**In France:**

–

Abroad:

Chairman of Polypipe Group plc (*) (UK);
 Chairman of Bodycote plc (*) (UK);
 Director of HSBC Bank plc (UK).

Past directorships and positions (held during the past-five years):**In France:**

–

Abroad:

Senior Independent Director of Johnson Matthey plc (*) (UK) (2002-2011).

Biography:

Mr Alan Thomson studied Economics and History at Glasgow University graduating with a Master of Arts degree in 1967. He qualified as a Chartered Accountant in 1970 and became a member of the Institute of Chartered Accountants of Scotland. From 1971 until 1975, he was

Audit Manager with Price Waterhouse in Paris. From 1975 until 1979, he was Financial Director then Chief Executive Officer of Rockwell International SA in Paris, and from 1979 until 1982, he was Financial Director in the Automotive Division of Rockwell International firstly in the USA (1979-1980) then in the United Kingdom (1980-1982). From 1982 until 1984, he was UK Financial Director of Raychem Ltd, a division of a US public Materials Science company. From 1984 until 1992, he was a Divisional Finance Director within Courtaulds plc, a UK listed company. From 1992 to 1995, Mr Alan Thomson was employed as the Group Financial Director and Main Board Director of The Rugby Group plc, a UK listed Building Materials company and from 1995, until his retirement in September 2006, he held the position of Group Financial Director of Smiths Group plc a UK listed engineering company. Mr Alan Thomson was elected Chairman of Bodycote plc, a listed engineering company, in April 2008. Mr Alan Thomson was appointed in November 2010, Chairman of HAYS plc a listed recruitment company. Mr Alan Thomson served as President of the Institute of Chartered Accountants of Scotland in 2010-2011.

Mr Alan Thomson was appointed in March 2014, Chairman of Polypipe Group plc a UK listed building materials company. Mr Alan Thomson was appointed as a Director of HSBC Bank plc in April 2013.

(*) Listed company.

PHILIPPE MARIEN

Age: 58.

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: GM 2014 (mandate renewed on 22 June 2010).

Bouygues SA

French société anonyme with a share capital of €319,264,996.

Head Office: 32, avenue Hoche – 75378 Paris Cedex 08 (France).

Holds 90 543 867 shares as of 6 May 2014.

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;

Director 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:

Director of Société Technique de Gestion (SOTEGI) (2008);

Director of Bouygues Bâtiment International (2008);

Director of Bouygues Travaux Publics (2008);

Director of Bouygues Bâtiment Île-de-France (2008);

Director of CATC (2008).

Current directorships 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, Director of Bouygues Immobilier.

Other current directorships of Mr Philippe Marien inside Bouygues Group:

Director of Bouygues Telecom;

Director of Bouygues Europe (Belgium).

Current directorships of Mr Philippe Marien outside Bouygues Group:

Chief Executive Officer of SCDM;

Liquidator of Finamag.

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

Permanent representative of Bouygues, Director of Bouygues Telecom (2009);

Chairman of the Board of Bouygues Telecom (2013).

(*) Listed company.

Absence of conflicts of interest or conviction

The present 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 for 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;
- 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. The potential conflicts of interest are essentially those that could, as the case may be, originate from agreements that Bouygues SA and Alstom have entered into. Bouygues SA or companies of its group may be in a position to sign various contracts with Alstom or its subsidiaries pursuant, in particular, to the non exclusive cooperation protocol signed between both groups on 26 April 2006, and the purpose of which is the creation of infrastructures for transport or the production of electricity. It could also be the case with respect to service or financing agreements entered into between Alstom and BNP Paribas since Mr Georges Chodron de Courcel is also Chief Operating Officer (*Directeur Général Délégué*) of BNP Paribas.

In case of 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 abstain 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.

Besides, to the Company's knowledge:

- no settlement 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 or to any of its subsidiaries and granting them any benefits.

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 6 May 2014 performed this review based on the

proposals made by the Nominations and Remuneration Committee which the Board had accepted.

As in the previous year, the Board followed the definition contained in the AFEP-MEDEF Code and considered that a Director is independent when he or she has no relationship of any kind with the Company, its Group or its Management that could compromise the independence of his or her judgement.

The Board took into account all the criteria recommended by the AFEP-MEDEF Code to assess the independence of its members, and established that in order to be qualified as independent, a Director must not:

- be an employee or an Executive Corporate Officer (*dirigeant mandataire social*) of the Company or of one of the subsidiaries it consolidates, and has not been in such a position in the past five years;
- be an Executive Corporate Officer (*dirigeant mandataire social*) of a company in which the Company holds, either directly or indirectly, a directorship, or in which a directorship is held or has been held within the past five years by an employee or an Executive Corporate Officer (*dirigeant mandataire social*) of the Company;
- be, either directly or indirectly, a significant customer, supplier, investment banker or commercial banker or for which the Company or its Group represents a material proportion of the entity's activity;
- have any close family ties with a Corporate Officer (*mandataire social*) of the Company;
- have been an Auditor of the Company for the past five years;
- have been a Director of the Company for more than twelve years;
- be, control, or represent a shareholder who holds alone or in concert more than 10% of the Company's share capital or voting rights in Shareholders' Meetings.

Each Director is invited to transmit annually to the Company a statement with respect to each of these criteria.

In compliance with the AFEP-MEDEF Code's recommendation, the Board of Directors may consider that a Director may not be qualified as independent even though the criteria are satisfied and conversely.

On this basis, the Board of Directors decided to maintain its characterisations defined in 2013 and determined that nine members should be considered as independent Directors (Mr Pascal Colombani, Mr Jean-Martin Folz, Mrs Lalita D. Gupte, Mr Gérard Hauser, Mrs Katrina Landis, Mr James W. Leng, Mr Klaus Mangold, Mrs Amparo Morales and Mr Alan Thomson) out of the fourteen members of the Board of Directors.

The Board's view that Mr Jean-Martin Folz should be considered to be independent took into account the fact that despite the relationship that exists between the Group and, on the one hand, Société Générale (one of the banks with which the Group does business on a regular basis) and, on the other, AXA (one of the Group's main insurers), each of which Mr Folz is a Director, Mr Folz had never held an executive position within Société Générale or AXA.

The Board's view that Mr James W. Leng should be considered to be independent took into account the fact that he had recently been appointed Non-Executive Director of Aon plc, with which the Group entertains a relationship in some countries and that the Board considered non-significant.

The Board also determined that Mr Pascal Colombani, Mr Gérard Hauser, Mrs Lalita D. Gupte, Mrs Katrina Landis, Mr Klaus Mangold, Mrs Amparo Moraleda and Mr Alan Thomson fulfilled each of the above criteria and should be considered to be independent. The Board of Directors took into consideration the fact that Mr Alan Thomson had recently been appointed Non-Executive Director of HSBC Bank plc with which the Group conducts banking business.

In addition to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company, Mrs Candace K. Beinecke who is Chair of Hughes Hubbard & Reed LLP, one of the Company's legal advisors, Mr Olivier Bouygues who is Deputy Chief Executive Officer of Bouygues SA, Bouygues SA which holds on 6 May 2014 29.33% of the Company's share capital, and Mr Georges Chodron de Courcel who is Chief Operating Officer of BNP Paribas, one of the banks the Group does business with on a regular basis, are not independent Directors.

Thereby, the Board of Directors qualified nine members out of fourteen as independent (64%), which exceeds the proportion of one half recommended by the AFEP-MEDEF Code for those companies with a widely spread share capital and the rule adopted by the Board set forth in its Internal Rules.

Rules of conduct

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. The Internal Rules of the Board and the Director's Charter were updated on 6 May 2014 in order to greater formalise the recommendations of the AFEP-MEDEF Code and provide for the appointment of a Lead Director, for which the Internal Rules define the duties and prerogatives (please refer to page 194).

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 by-laws, 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.

Any 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 is a member of, as well as all Shareholders General Meetings.

Pursuant to the Charter, each Director has a duty to inform the Board as soon as she/he is aware of a conflict of interest, even a potential one, and to abstain from attending discussions and from voting on

the corresponding resolution. 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. She or he 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 of which the section on conflicts of interest has been updated and completed in May 2013.

Pursuant to the Charter, each Director is bound by professional secrecy and must personally protect the confidentiality of any information she/he obtains in connection with her/his 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 reminds 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 insider trading (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 her/his 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 for the prevention of insider trading, approved by Board of Directors, 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.

The Code allows managers to resort to trading plans managed by third parties (*mandats de gestion programmée*) and allows them to continue the execution of such trading plans during the black-out trading periods provided for in the Code. To the Company's knowledge, as of today, there is no trading plan managed by third parties outstanding.

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.

The schedule of these black-out periods, like the Code of Conduct, can be accessed online on the Company's intranet site.

In addition, the opening of each black-out trading period is notified by email to the interested persons together with an updated timetable of all such periods.

The Board Internal Rules, as well as this Code of Conduct to which the Internal Rules of the Board refer, also remind the managers and persons assimilated to them of their legal obligations to **report dealings in the Company's securities** completed either by them or by persons close to them.

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 and applicable laws and regulations.

The rules are regularly reviewed by the Board 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 and its Committees. The last amendments made, aimed at specifying and guaranteeing good governance practices, were incorporated on 6 May 2014, based on recommendations made by the Nominations and Remuneration Committee (see page 204).

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 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 examine 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 €250 million, any decision to set up a partnership or a joint venture where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion;
- shall approve before implementation organic growth investments in an amount higher than €250 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 Chairman and 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.

In practice, 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 her/his mandate, each Director receives all information needed to perform her or his duties and may request any document she or he considers appropriate.

Interviews with those responsible for the Group's main central functions are organised, as well as meetings in the Group's Sectors, with detailed presentation of the businesses and the visits of production sites in order for 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 evaluations of the Board's operation, the members are requested to indicate whether they feel the need to update their knowledge or broaden their skills.

The Board's Internal Rules have been supplemented to clarify that any further training a Director may request, if she or he considers it necessary, may cover not only Group activities and product lines, but also accounting and financial aspects.

Each year, one Board 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 which require prior examination and consideration.

In addition to Board 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 or on any matters discussed during the meetings; the Chairman also regularly forwards to the Directors any material information regarding the Company. The Board Internal Rules, notably provide for the prior notice and data to be given to the Board for any acquisition, disposal or any decision to set up a partnership or a joint venture in excess of €100 million.

The Directors also receive copies of any press release issued by the Company which has not been specifically approved by the Board, 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 "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.

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 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, subject to certain exceptions, 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 every year 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.

A Director's experience 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, resort to 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.

Each Committee prepares a report presenting its work during the past fiscal year; this report is included in the Annual Report (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").

Annual evaluation of the functioning of the Board and of the Committees and the follow up

Since 2004, the Board carries out annually a formal assessment of its organisation and functioning pursuant to its Internal Rules, based on a questionnaire prepared by the Nominations and Remuneration Committee addressed to each Director and independently verified. If it so desires, it can entrust the preparation of these assessments to a specialised independent expert.

These Board's 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 members, 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 discussed by the Board of Directors in May. A similar procedure is simultaneously conducted to evaluate the workings of each Committee.

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 selected by the Nominations and Remuneration Committee at regular intervals. The most recent assessment was conducted during the last quarter of the 2013/14 fiscal year and prepared by the firm Spencer Stuart. The results were disclosed and discussed at the Board of Directors' meeting dated 19 March 2014.

The report concluded that, since the last external assessment was conducted, the overall performance of the Board had improved. It highlighted the quality of the information provided to Directors, of the annual meeting of the Board held on the Group's sites and of the day-long seminar dedicated to the Group's strategy. It also highlighted the increased involvement of the Committees and the successful integration of new members. The report's recommendations pertain to the desire to have an even deeper and collective discussion on the long-term strategy of the Group by, in particular, fully developing the annual strategic seminar organised by the Board. The recommendations also highlighted the need to devote more time to reviewing the succession plans of Directors and of the executive corporate officer (*dirigeant mandataire social*). The assessment also concluded that it was the right time to create a Lead Director position insofar as combining the functions of Chairman and Chief Executive Officer into a single function was still considered the best course of action.

Activity report of the Board for fiscal year 2013/14

The Board of Directors met seven times during the fiscal year (six times during the previous fiscal year). The attendance rate was 94% (99% in 2012/13).

During fiscal year 2013/14, the Board of Directors has continued to pay close attention to reviewing various aspects of the Group's strategy at meetings attended by several of the Group's executive managers.

The Board also discussed the short term strategy within the Group's businesses during annual budget and planning meetings attended by the Sector's Presidents, the other Executive Committee's members and the Senior Vice President Group Strategy and Development. Within this framework, it also reviewed the market evolution, the Group's portfolio of business activities and the competitive environment, as well as the update of the risk map produced for each Sector and for the Group.

On the basis of an agenda set by all Board Members, the Board of Directors also dedicated one day to conducting an in-depth review of the long term strategy, development prospects for some of its key markets, future prospects for the various Sectors of the Group and their growth opportunities.

A Board meeting held in Singapore featured presentations of the Group's activities in Southeast Asia. This meeting was followed by a tour of the Group's establishments in the region in sectors such as electric power generation and transmission, as well as urban transportation.

The Board discussed and passed resolutions on all other main topics regarding the Group. During its meetings, the Board notably passed resolutions on the topics below.

The Board reviewed and approved the consolidated and parent company accounts for the fiscal year 2012/13, the consolidated accounts for the first half of the fiscal year 2013/14, as well as the related management reports. The Board 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 continued to review the financial situation of the Group, the evolution of the cash flow, debt, liquidity position and its financial rating. The Board received information on the significant risks faced by the Group and the action plans launched, and discussed and approved the description of the main risks faced by the Group which were included in the Company's 2012/13 Registration Document (*Document de Référence*). In November 2013, the Board deliberated on the d2e competitiveness plan and approved the conduct of a study concerning the potential disposal of a minority stake in Alstom Transport and the sale of non-strategic assets. In January 2014, the Board deliberated on the review of the Group's previously published earnings projections. In March 2014, it approved the sale of its business producing auxiliary equipment for steam power plants in the context of its plan to sell non-strategic assets.

A report on the development of the Group's activities has been presented at each meeting.

Regarding corporate governance, the Board discussed in May 2013 the application by the Company of the AFEP-MEDEF corporate governance principles during its review of the Chairman's report attached to the Management report. It discussed the composition of the Board of Directors and the Audit Committee in the context of the succession of Mr Jean-Paul Béchat.

In May 2013, the Board also analysed the Group's policies with respect to occupational and wage equality as well as environmental, health, and safety matters. It discussed and approved the results of the performance self-assessment of the Board and its Committees during fiscal year 2012/13, 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 2012/13 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 2013, the Board also determined, on the proposal of the Nominations and Remuneration Committee the amount of the Chairman and Chief Executive Officer's variable compensation for fiscal year 2012/13 based on the achievement of the financial and personal objectives and on the terms of calculation previously set by the Board. The Board also fixed the objectives for the determination of his variable compensation for fiscal year 2013/14 and the basis for its calculation depending on the achievements and fixed the annual fixed compensation of the Chief Executive Officer for fiscal year 2013/14.

In October 2013, the Board decided, as proposed by the Nominations and Remuneration Committee, the allocation of a new long term incentive plan combining the allocation of stock options and the free allocation of performance shares, both fully conditional upon the achievement of the Group's financial objectives. It specifically approved the allocation granted to the Chairman and Chief Executive Officer of which it determined the limits and conditions in addition to the provisions applicable to the other beneficiaries of the plan.

During the fiscal year, the Board of Directors also:

- adopted the resolutions and the documents required by law concerning the Annual General Meeting;
- renewed the financial delegation of powers to the Chairman and Chief Executive Officer for the issue of bonds;
- authorised the implementation of a Company's share purchase programme;

- followed the evolution of the main ongoing 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;
- noted the succession plans set up for the executives and senior executives of the Group;
- reviewed the Chairman and Chief Executive Officer's performance during its annual meeting outside of his presence.

The Committees' Chairmen submitted their Committee work reports to the Board for discussion.

The Independent Auditors were invited to the two Board meetings dedicated to the review and approval of the annual and half-yearly accounts.

Audit Committee

The **Audit Committee**, formed in 1998, is currently composed of six members: Mr Alan Thomson, Chairman of the Committee who succeeded Mr Jean-Paul Béchat as from 2 July 2013, Mr Georges Chodron de Courcel, Mrs Lalita D. Gupte, Mr Pascal Colombani, Mr Philippe Marien and Mrs Amparo Moraleda.

Four members out of six are independent, including the Chairman. This corresponds to the two-thirds of Directors recommended by the AFEP-MEDEF Code.

Mrs Lalita D. Gupte, Mr Philippe Marien and Mr Alan Thomson have specific expertise in financial or accounting matters due to their qualification or professional expertise as set forth in their biographies. Mrs Lalita D. Gupte and Mr Alan Thomson are also independent members.

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 External Auditors, and the independence of such External Auditors.

In fulfilling its role, as stated in its Internal Rules updated in May 2011, 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 External Auditors;
- to review with Management and the External 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 External 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 the call for tenders procedure associated with the selection of External Auditors and provide the Board of Directors with a recommendation on the External 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 External Audit Charter governing relations with the External Auditors and examine, on an annual basis, the amount of the fees paid by the Group to the networks to which such External Auditors belong, including fees that are not directly linked to the External Auditors' duties;
- to see to the External Auditors' independence, to examine with them, if applicable, the risks that are impacting such independence and the safety measures undertaken to mitigate these risks and grant its prior approval to any external audit performed that is accessory to or directly complementary to the audit of the accounts they are responsible for (excluding all other duties).

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.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning. Unless the Committee decides differently, the External Auditors will attend meetings.

Activity report of the Audit Committee for fiscal year 2013/14

The Audit Committee met four times during fiscal year 2013/14 (four times during fiscal year 2012/13). The attendance level was 96% (96% for previous fiscal year).

The Chief Financial Officer, the Senior Vice President of Internal Audit, the Group Controller, the Group General Counsel and the representative of the two independent audit firms were in attendance at all four meetings. Other Senior Management including the Chief Information Officer, the Vice President of Tenders and Projects Control, the Vice President of Corporate Funding and Treasury and several representatives of Sectors' Financial Departments attended the Committee meetings.

The Committee reviewed the Statutory and Consolidated Financial Statements as of 31 March 2013 as well as the half-year consolidated accounts as of 30 September 2013 (financial statements, notes and management or activity reports) in May and November 2013 respectively. In May 2013, the Committee also reviewed the Registration Document (*Document de Référence*) for the fiscal year ended 31 March 2013 prior to its filing with the French Stock Market authority (*Autorité des marchés financiers*) and especially the section concerning risks as well as the section concerning the internal control and risk management procedures of the Chairman's Report, which the Committee has approved.

On the basis of the presentations produced by the General Management and the independent audit firms, the Committee checked 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 led to detailed presentations from the Financial Management of each Sector, of the Group's major risks (risks linked to the activity, to contract execution, to the main disputes), of cash-flow, of the off-balance sheet commitments and of provisions. At the end of each meeting to review the accounts, the 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 October 2013, during a specific session, an Internal Audit/Internal Control update was presented by the Senior Vice President of Internal Audit. The new Corporate Controlling organization was also presented and a detailed presentation on R&D was given by the Group Controller. The Vice President of Corporate Funding and Treasury also presented the Regional Treasury Center structure.

In March 2014, the Chief Information Officer presented in detail the Alstom Information Systems and Technology organization evolution.

The Risk Mapping methodology – a risk identification and follow-up tool embedded in the Budget/Three year plan – as well as the action plans implemented, were examined. The updated results were presented by the Senior Vice President of Internal Audit at Group and Sector levels in March 2014.

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 campaign 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 Committee also heard the Statutory Auditors' observations and recommendations on internal control in March 2014.

The Senior Vice President of Internal Audit presented the Internal Audit half-year and full year activity reports for 2013 and the proposed internal audit plan for each of the next four years was reviewed and approved.

The Committee examined the amount of fees paid out to the independent audit firms during the fiscal year 2013/14. The External 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 independent audit firms was within their guidelines.

The independent certification of the Internal Audit Department of Alstom was renewed by IFACI and the Internal Audit Charter amended.

The functioning of the Committee was evaluated as part of the assessment which the Board performed during the fiscal year 2013/14 and the results were discussed during the Board meeting held in March 2014.

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 James W. Leng, Chairman of the Committee since 18 November 2003, Mrs Candace K. Beinecke, Mr Olivier Bouygues, Mr Gérard Hauser and Mr Klaus Mangold.

Three members of the Committee out of five are independent, including the Chairman, which corresponds to 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 and Chief Executive Officer of the Company;
- the nomination (or revocation) of the Chairman of the Board 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;
- the whole of 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 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 Committee also develops and recommends to the Board for its approval, a formal process for evaluating the functioning of the Board 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.

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

The Committee performs any other related activities as the Committee or the Board deems necessary or appropriate.

Activity report of the Nominations and Remuneration Committee for fiscal year 2013/14

The Nominations and Remuneration Committee met four times during fiscal year 2013/14 (four times during the previous fiscal year) and the Members' attendance rate at these meetings was 88% (100% for fiscal year 2012/13).

In the context of its corporate governance duties, the Committee carried out the annual review of the Company's practices based on the AFEP-MEDEF Code of June 2013 and suggested some changes to the Board Internal Rules. It analysed and discussed the self-assessment reports on the functioning of the Board of Directors and the Committees for fiscal

year 2012/2013. The Board of Directors also discussed the results of the assessment at its meeting in May 2013.

The status of independent Directors was also reviewed while taking into account all of the AFEP-MEDEF criteria.

The Committee reviewed potential candidates for the succession of a Director who ended his term of office after twelve years of service as a Director.

The Committee selected a replacement candidate for this Director and recommended this candidate to the Board. In October 2013, the Committee also launched a search for new candidates for Director to prepare for a new potential departure in July 2014.

Lastly, the Committee recommended to the Board that the latter submit a request to the General Meeting for an increase in the budget for fees paid to Directors for attending Board and Committee meetings, given the increase in the frequency of these meetings and the new terms and conditions applicable to the distribution of Directors' fees as of 1 October 2012.

The Committee made suggestions to the Board of Directors regarding the variable remuneration of the Chairman and Chief Executive Officer for 2012/13 and the objectives for his 2013/14 variable remuneration while applying the same criteria and methods as in previous fiscal years. The Committee was informed of and approved the remunerations of the other members of the Executive Committee.

In October, an international comparative study was presented to the Committee for each member of the Executive Committee. This study takes into account total remuneration, including long-term incentive plans.

The Committee also reviewed and recommended to the Board, as part of a new Long-Term Incentive Plan, the allocation of a mix of fully conditional stock options and shares.

The Committee also discussed certain changes concerning the performance conditions and the length of time to be taken into account when evaluating their fulfillment. It reviewed the characteristics of these grants and the list of beneficiaries. It also reviewed and approved the suggestions for allocations to the Chairman and Chief Executive Officer as well as to the other members of the Executive Committee. The Committee selected the external consultant that conducted a formal assessment of the functioning of the Board of Directors during the final quarter of fiscal year 2013/14 and the results of which were discussed by the Committee and the Board in March 2014.

In November 2013, the Committee reviewed the succession plans for the positions of senior managers and executives within the Group, including the Executive Committee. A general review of management Committees of each Sector and of the central staff also took place.

The Ethics, Compliance and Sustainability Committee

The EC&S Committee, created on 28 September 2010, consists of three members: Mr Jean-Martin Folz, Chairman of the Committee, Mrs Katrina Landis and Mr Pascal Colombani who is also a member of the Audit Committee.

All the three members of the Committee are independent.

Duties

As stated in its Internal Rules amended on 3 May 2011, 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 2013/14

The EC&S Committee met five times during fiscal year 2013/14 (three times during the previous fiscal year). The attendance level was 100% as for the previous fiscal year.

The EC&S Committee reviewed and approved:

- the increase of the resources of the Ethics & Compliance Department with the designation of seven additional Compliance Officers, three at the headquarters and four in certain countries (Russia, South Africa, China and East Asia-Pacific region);
- the independent review conducted by two law firms on Alstom Ethics & Compliance policies and processes relating to Business Advisors and their implementation within the Group;
- the on-going risk-based approach, with during the fiscal year the formalisation of Ethics & Compliance rules with regards to joint ventures and consortiums, suppliers and contractors and the revision of the Group Instruction for Business Advisors following the decision made in January 2014, as a precautionary measure, to cease the appointment of Commercial Advisors (Sales Consultants) used for specific projects and compensated on a success fee basis;
- new initiatives aiming at reinforcing the Alstom Integrity Programme, such as the modernised Alert Procedure launched in July 2013 and the launching of the audit process of the Alstom Integrity Programme in view of obtaining in 2014 the renewal of its certification awarded by ETHIC Intelligence previously obtained in 2011.

The Committee was informed of the results of the Yearly Integrity Review for the fiscal year 2012/2013. The aim of the Yearly Integrity Review is to measure the efforts made by the approximately 700 Senior Managers of Alstom to implement the Alstom Integrity Programme within the Group.

It was provided at each meeting with updates on significant on-going investigations.

The Committee also reviewed and approved the Group's Corporate Social Responsibility (CSR) activity and, in particular:

- the development of the CSR actions in the countries with a specific focus on new legislation in India; and
- the follow-through on actions taken to support sustainable sourcing with the wider reach of supplier evaluations and the introduction of guidelines for the Group's sourcing departments in order to favour the sourcing from sustainable products and solutions.

It also received all the information regarding the internal and external communication efforts aimed at increasing the visibility of the function and improving the perception of the Group. The various items of communication (monthly newsletter and pedagogic films) were systematically addressed to the members of the Committee.

It reviewed the ratings received from non-financial rating agencies.

It received detailed information on the functioning and objectives of the Alstom foundation and reviewed the projects selected by the Board of the foundation in 2013.

It reviewed the Group's occupational safety performance to which it continued to pay strict attention. More specifically, the execution and results of the plan aiming to eradicate severe accidents (AZDP) were presented and discussed at each meeting of the Committee.

The Committee was informed of the appointment of a head of Diversity and Equal opportunities for the Group. The Committee reviewed the situation of the Group's policy in this area and approved the various actions implemented within the Group to improve occupational and wage equality between men and women and, more generally, manage talent and diversity. It approved the objectives and the main non-financial indicators retained in this area.

More generally, it reviewed all the main non-financial indicators used by the Group.

The Committee received and discussed the Group's risk map concerning ethics and 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 2012/13 and the Sustainable Development section of the Registration Document 2012/13, 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.

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

Alstom's Executive and Non-Executive Directors are the fourteen members of the Board. The Chairman and Chief Executive Officer, Mr Patrick Kron, is 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 (related to remuneration of Executive and Non-Executive Directors) and in Article L. 225-185 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 and Non-Executive Directors' compensation and benefits of any kind are as set out below.

Principles and rules set by the Board of Directors for the determination of the remuneration paid to the Executive Director

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

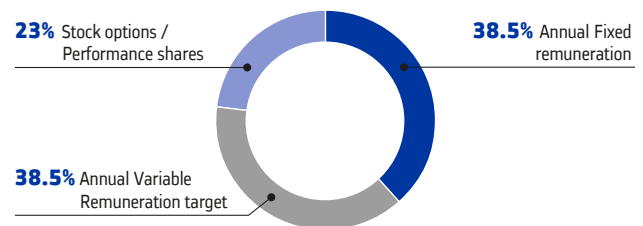
part linked to the performance of the Company. It generally comes with an entirely conditional grant of stock options and performance shares.

The remuneration policy and all the components of the Chairman and Chief Executive Officer's remuneration, including the supplemental retirement scheme, are reviewed annually by the Nominations and Remuneration Committee and the Board of Directors based, in particular, on analyses prepared by independent external 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 the Executive Director with that of other similar size companies of the CAC 40 (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.

For fiscal year 2013/14, the structure of the aggregate remuneration paid to the Chairman and Chief Executive Officer is the following:



Source: Alstom

The total target annual variable remuneration represents 61.5% of total remuneration, with the short term target variable remuneration equal to 38.5% of total remuneration and the long-term variable remuneration (stock options/performance shares) equal to 23% of total remuneration.

Based on the comparative analyses of the practices of comparable CAC 40 companies, the fixed remuneration and the target annual variable remuneration of the Chairman and Chief Executive Officer for fiscal year 2013/14 are near median levels, while the long-term target variable remuneration (grant value of the conditional stock options and performance shares) is lower than market practice recorded. Its total target remuneration for fiscal year 2013/14 (fixed remuneration and short-term and long-term target variable remuneration) is, therefore, slightly lower than the median amount for this group of comparable companies.

Annual remuneration

Fixed remuneration

The gross amount of the total fixed part of Mr Patrick Kron's remuneration in respect of fiscal year 2013/14 amounts to €1,200,000. It was €1,130,000 during the previous two fiscal years. This level of remuneration corresponds to an increase of 6.2% relative to the previous fiscal year and an average annual increase of 2.1% over the past seven years.

Since 2006, the annual fixed and variable remuneration of Mr Patrick Kron changed as follows:

	Fiscal year 2006/07 (in €)	Fiscal year 2007/08 (in €)	Fiscal year 2008/09 (in €)	Fiscal year 2009/10 (in €)	Fiscal year 2010/11 (in €)	Fiscal year 2011/12 (in €)	Fiscal year 2012/13 (in €)	Fiscal year 2013/14 (in €)
Fixed remuneration	1,035,000	1,035,000	1,035,000	1,065,000	1,100,000	1,130,000	1 130 000	1,200,000
Variable remuneration (fixed %)	1,430,000 (138%)	1,500,000 (145%)	1,300,000 (125%)	1,000,000 (94%)	1,075,000 (98%)	1,160,000 (103%)	1,420,000 (126%)	1,034,000 (86%)
TOTAL	2,465,000	2,535,000	2,335,000	2,065,000	2,175,000	2,290,000	2,550,000	2,234,000

Variable remuneration

The variable part of the Chairman and Chief Executive Officer's remuneration is 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. These objectives are comprised of a number of the Group's financial objectives and specific qualitative objectives linked to the achievement of personal objectives that are reviewed every year based on the strategic priorities defined by the Group. The assessment of the level of completion of these objectives and the amount of the variable part of the remuneration are then determined by the Board of Directors, which approves the accounts for the fiscal year, based on the Nominations and Remuneration Committee's recommendation.

Since 1 April 2006, the Chairman and Chief Executive Officer's variable remuneration's range is between 0% and 160% of the annual base salary. The amount of the variable part linked to financial objectives can vary between 0% and 120% of the annual base salary and the amount of the variable part linked to specific objectives between 0% and 40%, depending on results achieved. Where the set objectives are met, the variable "target" remuneration represents 100% of the annual base salary, with the amount of the variable part linked to financial objectives representing 60% of the annual base salary and the variable part linked to the specific objectives representing 40% of the annual base salary. However, the Board reserves the right to adjust upwards or downwards the results of the calculation of this variable part within the above-mentioned range, based on its global evaluation of the performance achieved.

For fiscal year 2013/14, the Group's financial objectives covered operating income (both in absolute value and as a percentage), the gross margin on orders received during the fiscal year (both in absolute value and as a percentage) and the free cash flow with a relative weight of each of these indicators of 30%, 30% and 40%, respectively.

The personal qualitative objectives were related to strategic objectives of the Group, including, amongst set priorities, promoting the development of the Group in certain markets including Asia, supported by a customized investment and research and development policy, improving operational performance, taking the necessary action to enable better strategic mobility and implementing a series of actions to promote the efficiency of the organisation.

Pursuant to these predetermined objectives and rules set in May 2013 and to the achievements acknowledged by the Board on 6 May 2014, the variable gross remuneration for fiscal year 2013/14 paid to Mr Kron amounted to €1,034,000, which corresponds to 86.1% of his fixed gross salary compared to a variable remuneration "target" of 100% (remuneration paid when the results are strictly in line with the objectives set). The variable part linked to the financial objectives was fixed at 47.3% by the Board of Directors within the range 0-120% (compared to 60% if the results achieved have been strictly in line with the objectives set). The part corresponding to the specific objectives was fixed at 38.8% in the 0-40% range.

For the previous fiscal year, the variable gross salary of Mr Patrick Kron was €1,420,000 corresponding to 125.7% of his fixed gross salary for the said fiscal year. The variable part linked to the financial objectives was fixed at 89.3% within the range 0-120% and the part corresponding to the specific objectives was fixed at 36.4%.

Benefits in kind

The Chairman and Chief Executive Officer benefits from a Company car representing a benefit in kind of €2,917 per year and, as other employees in France beyond a certain level of responsibilities, from supplemental medical, death and disability coverage, which costs are partly borne by the Company.

Allocation of conditional stock options and/or performance shares

The Board of Directors, at its meeting held on 1 October 2013, granted the Chairman and Chief Executive Officer conditional stock options and performance shares under the plan implemented during fiscal year 2013/14 (plan LTI No. 16).

Characteristics of the grant policy

The overall amount of the grant, as determined by the Board of Directors based on the Nominations and Remuneration Committee's proposal, takes into account all of the elements of compensation of the Chairman and Chief Executive Officer as well as the market practices of comparable listed companies.

In accordance with current market trends, for LTI Plan No. 16, the Committee recommended to increase the ratio of performance shares offered and to lower the ratio of stock options offered.

The main characteristics of the allocation policy applied to the Chairman and Chief Executive Officer comply with the June 2013 recommendations of the AFEP-MEDEF Code and are the following:

- frequency: allocation usually carried out by end September unless exception;
- no discount: yes (stock options);
- performance requirements: yes, since fiscal year 2006/07, 100% of the options or shares are allocated subject to the satisfaction of Group performance conditions over the course of three fiscal years following the grant date (see hereafter);
- limits applicable to the allocation: yes, since fiscal year 2009/10 (see hereafter);
- holding requirement: yes, stricter requirements applied during fiscal year 2013/14 (see hereafter);
- acquisition requirement: 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 exercise of options and sale of shares is prohibited: yes.

The general characteristics of the conditional stock options and performance shares allocated to the Chairman and Chief Executive Officer are identical to those offered in all other allocations made by the plan. 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 Directors. These general characteristics, including the performance conditions, appear on pages 233 to 239 of the Registration Document for the 2013/14 fiscal year filed with the AMF. In addition, grants are carried out in compliance with allocation sub-ceilings applicable to Executive Officers and set in the resolutions of the General Meeting.

Within the framework of these plans, which combine since fiscal year 2007/08, allocations of conditional stock options and of performance shares, the ratio of allocated stock options over the total number of stock options and performance shares increases as one's hierarchical position and individual performance at the Company increases. Consequently, the Chairman and Chief Executive Officer receives a larger percentage of stock options than performance shares as compared with other plan beneficiaries.

The Board of Directors, at its meeting dated 1 October 2013, reiterated the following principles regarding grants to Executive Officers (*mandataires sociaux dirigeants*) based on the June 2013 AFEP-MEDEF Code:

- the IFRS 2 value of any allocation shall be capped at one year of fixed and targeted variable remuneration, the latter of 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 stock options and free shares within the Group, or 5% of the aggregate annual allocation (calculated, as the case may be, based on stock option equivalents in the event of a combined allocation of stock options and performance shares).

In accordance with the 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 or she no longer exercises his duties. Until now, the holding requirement was applicable to a number of shares equal to 25% of the theoretical net gain calculated whenever stock options were exercised or shares were definitively granted.

The Board of Directors, at its meeting dated 1 October 2013, decided to apply stricter holding requirements and, with the Chairman and Chief Executive Officer's approval, to substitute these stricter requirements for those previously set by the Board. Therefore, they apply to LTI Plans No. 10, No. 12, No. 14, No. 15 and No. 16. Pursuant to these new holding requirements, the Chairman and Chief Executive Officer will be required to hold, in registered form:

- with respect to performance shares, a number of shares corresponding to 50% of the performance shares definitively granted to him at the end of the vesting period;
- with respect to stock options, a number of shares resulting from each exercise of stock options, corresponding to 50% of the theoretical net gain (net of tax and social security withholdings) calculated on the stock options exercise date.

These holding requirements will cease to apply when the Chairman and Chief Executive Officer reaches a retention target of shares held in registered form until the end of his term of office, 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, and at the time of each exercise of stock options.

After reading the recommendations of the Nominations and Remuneration Committee, the Board of Directors, at its meeting dated 1 October 2013, also decided that given this significant amount of new applicable custody and holding requirements, 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. Consequently, the Board of Directors decided to eliminate the requirement to acquire a number of Company shares equal to 25% of the number of performance shares effectively delivered and applicable to previous LTI Plans.

Moreover, internal rules of conduct of the Group applicable where inside information is held, prevent any sale of shares, during 30 calendar days before Alstom's first six-months and annual results are disclosed to the public (the period being 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, and, in any case, when inside information is held until the second trading day 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 Group's legal counsel and the Chief Financial 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, during these black-out periods the Executive Director is also prohibited from exercising the stock options granted to him or her, including in the event of a simple exercise of stock options not followed by a sale of shares.

In accordance with the terms of the June 2013 version of the AFEP-MEDEF Code, in October 2013 Mr Patrick Kron also confirmed his commitment, applicable during the full length of his term of office, to refrain from using hedging instruments on the stock options, the underlying shares or the performance shares granted by the Company. To the Company's knowledge, no hedging instrument has been set up.

Performance conditions

Since 2007, all of the stock options and performance shares granted to Mr Patrick Kron and to all other beneficiaries are subject to demanding and predetermined internal performance conditions. The performance criterion retained since 2006 is the future operating margin of the Group, which is the same criterion used to condition the grant of performance shares and the Group's objectives. As from 2012, the requirement to generate positive free cash flow was added to this criterion.

As in the previous fiscal year, the performance conditions of the LTI Plan No. 16, which was launched on 1 October 2013, are the Group's operating margin levels and the lack of negative free cash flow, as indicated in the table hereafter.

The performance criteria retained by the Board of Directors at its meeting dated 1 October 2013, based on the Nominations and Remuneration Committee's recommendation, were set consistently with the published three-year projections of the Group, which at that time

were, in particular, to gradually improve its operating margin to reach approximately 8% over the course of the 2015/16 or 2016/17 fiscal years and to generate a positive free cash flow for each of these fiscal years.

Based on the Nominations and Remuneration Committee's recommendation, the Board of Directors also decided that only those performances of the Company recorded during the second and third fiscal years following that in which the Plan was granted would be taken into account, whereas since the 2010/11 fiscal year all three fiscal years had been taken into account to assess the level of satisfaction of such performance conditions. This change intensifies the demanding nature and long-term characteristics of the performance conditions governing the plans set up by the Company including, for LTI Plan No. 16, a 40% cap on grant amounts that can be definitively acquired in the second fiscal year following that in which the Plan was granted, and 60% in the third fiscal year. In addition, as for the plan granted in the previous fiscal year, the full amount of the grant will be null and void if the Group's free cash flow is negative for each of these fiscal years.

	Reference Fiscal Year 2014/15		Reference Fiscal Year 2015/16
	% of exercisable conditional options or performance shares acquired		% of exercisable conditional options or performance shares acquired
FCF ⁽¹⁾ ≥ 0 and OM ⁽²⁾ ≥ 7.4%	40%	FCF ≥ 0 and OM ≥ 7.8%	60%
FCF ≥ 0 and 7.2% ≤ OM < 7.4%	20%	FCF ≥ 0 and 7.6% ≤ OM < 7.8%	40%
FCF < 0 or OM < 7.2%	0%	FCF ≥ 0 and 7.4% ≤ OM < 7.6%	20%
-	-	FCF < 0 or OM < 7.4%	0%

(1) FCF: Free Cash Flow of the Group.

(2) OM: Operating Margin of the Group.

Subject to the satisfaction of the performance conditions, the definitive acquisition of the performance shares under LTI Plan No. 16 will take place over the course of a four-year period or on 2 October 2017, and the stock options will be exercisable at expiration of a three-year period or as from 3 October 2016.

With respect to LTI Plans No. 14 and No. 15, 10% and 40% of the rights to free shares, as well as the stock options granted under the same plans, were respectively cancelled upon application of the performance condition associated with the results achieved in fiscal year 2013/14 and adopted by the Board of Directors at its meeting dated 6 May 2014 (please refer to Note 22 to the consolidated financial statements for fiscal year 2013/14). Consequently, by applying the performance conditions set under LTI Plan No. 14, Mr Patrick Kron will definitively acquire only 70% of the rights to performance shares initially granted to him. For LTI Plan No. 15, 50% of the stock options and rights to performance shares initially granted to him were cancelled, 30% were definitively acquired and the balance is subject to the results achieved in fiscal year 2014/15.

Allocation in respect of fiscal year 2013/14

The combined allocation received by Mr Patrick Kron under the 2013 plan decided by the Board of Directors during fiscal year 2013/14, bears on 90,000 conditional stock options and 20,000 performance shares (a total number of potential shares corresponding to the same total number granted to him under the 2012 plan). It represents 0.04% of the share capital as of the grant date. It also represents approximately 3.15% of the total allocation of the plan (calculated according to a stock option equivalency, where one performance share is considered equivalent to six stock options) and 1.43% of the overall amount authorised by the Shareholders' Meeting dated 2 July 2013. (See also Table 4 hereafter). As of the Plan grant date, the valuations of the stock options and performance shares according to the IFRS 2 method are equal to €315,900 and €400,400, respectively.

Summary of long-term compensation plan linked to the Group's performance granted during the fiscal year ended on 31 March 2011 and that became null and void during fiscal year 2013/14

During the fiscal year 2010/11, upon the Nominations and Remuneration Committee's proposal, the Board of Directors held on 13 December 2010 decided to not allocate stock options or performance shares to the Chairman and Chief Executive Officer and to implement to his benefit a long term compensation plan conditional upon the achievement of Group's performance conditions over several years.

This plan was aimed at aligning his interests with those of the shareholders and took into account all the components of the Chairman and Chief Executive Officer's remuneration. The full amount of the remuneration that could potentially be paid out in the future in one single instalment in 2014, 2015 or 2016 was capped and its determination was subject to performance criteria that were internal and external to the Company, and taking into account:

- the performance of the Alstom share compared to the performance of the Euro Stoxx Industrial Goods & Services Index, as measured in late December 2013;
- the Group's operating margin levels achieved at year-end of each of the three 2010/11, 2011/12, and 2012/13 fiscal years;
- Total Shareholder Return (TSR) calculated over the period preceding the payment of the remuneration.

After applying the first conditions relative to the performance of the Company's share measured in late December 2013, no remuneration can be paid to the Chairman and Chief Executive Officer under this plan. This plan is null and void.

Supplemental retirement scheme

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.

The defined benefit plan covers all persons exercising functions within the Group in France whose base annual 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 liquidation of their pension.

Even though the plan does not set a minimum seniority requirement of two years 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 gradually and only represent, per year of seniority in the scheme, a limited percentage of the annual compensation corresponding to 0.6% of the annual reference remuneration within a range of 8 to 12 times the Social Security ceiling and to 1.2% of the annual reference remuneration in excess of 12 times the Social Security ceiling. The annual reference remuneration is equal to the average fixed and variable remuneration received over the course of the past three years prior to retirement. This annual reference remuneration is capped at €2 million. Since 1 January 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC retirement scheme.

As such, given his seniority within the Group and assuming a retirement age of 65, the Chairman and Chief Executive Officer could, when he retires, claim a gross retirement pension under the defined benefit scheme equal to approximately 15% of the capped annual reference remuneration.

The gradual accrual of potential rights based on seniority in the scheme represents a percentage that is lower than the 5% cap on the beneficiary's remuneration provided for under the AFEP-MEDEF Code. Similarly, the maximum income percentage over which the supplemental retirement scheme would grant a right is much lower than the cap set under the AFEP-MEDEF Code, which is equal to 45% of the reference income.

There has been no change to this supplemental collective retirement scheme during the fiscal year.

The benefit obligation for the defined benefits plan is equal to €9,694,000 as at 31 March 2014, including statutory retirement indemnities and an amount of €3,028,000 of taxes applicable to supplemental retirement schemes as increased since 1 January 2013.

The defined contribution plan complements the defined benefit plan. The rights are acquired annually and cannot exceed 16% of four times the annual ceiling of French social security. The amount of contributions paid by Alstom within the defined contribution plan was €23,783 for fiscal year 2013/14. Assuming he retires at age 65, the Chairman and Chief Executive Officer could claim a gross retirement pension under the defined contribution scheme equal to approximately 1% of the capped annual reference remuneration, which corresponds to an aggregate gross retirement pension equal to approximately 16% by combining the pension resulting from the defined benefit scheme and the pension resulting from the defined contribution scheme.

Severance payment and other benefits arising upon the termination of the mandate

At its meeting dated 28 June 2011, which took place after the General Shareholders' Meeting held on the same day, the Board of Directors that decided not to separate the functions of Chairman and Chief Executive Officer and to renew the term of office of Mr Patrick Kron as Chairman and Chief Executive Officer for the duration of his directorship, or until the end of the Ordinary Shareholders' Meeting called to approve the financial statements of the 2014/15 fiscal year, also decided that the commitments made to Mr Patrick Kron on 26 June 2007, as amended on 6 May 2008 and 4 May 2009 and approved by the General Shareholders' Meeting dated 23 June 2009, concerning benefits arising upon termination of the mandate, would be maintained without any change.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, Chairman and Chief Executive Officer, concern, as in the past, (i) the potential entitlement to the supplemental collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan from which benefit all persons exercising functions within the Group in France, the base annual remuneration of which exceeds eight times the French Social Security cap, above mentioned, as well as (ii) the upholding, in the event of termination of his mandate as initiated by either the Company or himself, of only the rights to exercise the stock options and the rights to the delivery of the performance shares, that will have been definitively vested as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

Since these commitments are the same as those granted on 26 June 2007, as amended on 6 May 2008 and 4 May 2009 and approved by the General Shareholders' Meeting dated 23 June 2009, concerning benefits arising upon termination of the mandate described in Article L. 225-42-1 of the French Commercial Code, the Board of Directors, at its meeting dated 28 June 2011, approved and authorised their renewal insofar as necessary. They were approved by the General Shareholders' Meeting on 26 June 2012 and are presented in the Statutory Auditors' special report.

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

Executive Directors as of 31 March 2014	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
Patrick Kron Chairman and Chief Executive Officer Term of office began in: 2003 Term of office ends in: 2015		No	Yes (see above)			No (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"). Since 1 April 2005, the Chairman of the Board of Directors waived his Directors' fees.

The Ordinary and Extraordinary Shareholders' Meeting of 2 July 2013 set at €1,000,000 the maximum annual amount of Directors' fees which can be distributed among the members of the Board of Directors. It will be proposed to the Shareholders' Meeting convened on 1st July 2014 to increase this maximum amount to €1,300,000 as from the fiscal year started on 1st April 2014. This increase is necessary notably to take into account the forecasted increase in the number of Board of Directors and Committees meetings related to the receipt and review of the binding offer received from General Electric to acquire Alstom's Energy activities.

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 are that the Directors' fees are made up of a fixed part and of a variable part for attending the meetings of the Board 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 as from 1 October 2012, the Directors' fees were made of a fixed part worth €27,500 paid to each Director (previously €22,500). 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 (previously €3,000) 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.

Based on these terms, the aggregate amount of Directors' fees paid during fiscal year 2013/14 is equal to €844,813 (€708,500 in the previous fiscal year). The amount due in respect of the fiscal year represented approximately 85.85% (€858,500) of the maximum annual amount authorised and at 54.28% the variable portion represented a predominant portion of the aggregate amount. Half of the fixed and variable parts were paid in fiscal year 2013/14, with the balance paid in fiscal year 2014/15.

Summary tables of the remunerations of Executive and Non-Executive Directors pursuant to AFEP-MEDEF recommendations and to the AMF position – recommendation n°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 2014

	Fiscal year 2011/12 (in €)	Fiscal year 2012/13 (in €)	Fiscal year 2013/14 (in €)
Patrick Kron Chairman and Chief Executive Officer ⁽²⁾			
Compensation due in respect of the fiscal year <i>(detailed in table 2)</i>	2,295,794	2,555,794	2,236,917
Valuation of the conditional stock options awarded during the fiscal year ⁽¹⁾ <i>(detailed in table 4)</i>	286,000	529,000	315,900
Valuation of the performance shares awarded during the fiscal year ⁽¹⁾ <i>(detailed in table 6)</i>	186,000	244,000	400,400
TOTAL	2,767,794	3,328,794	2,953,217

(1) These amounts correspond to the valuation of the stock options and performance shares on the grant date of Plan according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 22 to the consolidated financial statements as of 31 March 2014).

(2) The Chairman and Chief Executive Officer also benefitted from a conditional long-term compensation plan determined on 13 December 2010 and linked to the Group's performances over several years (see pages 215 to 216 above). This plan became null and void during the 2013/14 fiscal year due to the failure to satisfy one of the performance conditions and is no longer subject to the creation of a provision accounted for in the financial statements as of 31 March 2014.

TABLE 2 – SUMMARY TABLE OF THE COMPENSATION OF EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2014

Patrick Kron Chairman and Chief Executive Officer	Amounts for fiscal year 2011/12 (in €)		Amounts for fiscal year 2012/13 (in €)		Amounts for fiscal year 2013/14 (in €)	
	Due in respect of the fiscal year	Due in respect of the fiscal year	Due in respect of the fiscal year	Paid in during the fiscal year	Due in respect of the fiscal year	Paid in during the fiscal year
• Fixed gross compensation	1,130,000	1,130,000	1,130,000	1,130,000	1,200,000	1,200,000
• Variable gross compensation ⁽¹⁾	1,160,000	1,075,000	1,420,000	1,160,000	1,034,000	1,420,000
• Extraordinary gross compensation	-	-	-	-	-	-
• Directors' fees ⁽²⁾	-	-	-	-	-	-
• Fringe benefits ⁽³⁾	5,794	5,794	5,794	5,794	2,917	2,917
TOTAL	2,295,794	2,210,794	2,555,794	2,295,794	2,236,917	2,622,917

(1) The variable compensation in respect of a fiscal year is paid on the following fiscal year. The criteria according to which the variable remuneration was calculated and the terms and conditions for setting the amount are described on page 213.

(2) Since 1 April 2005, the Chairman and Chief Executive Officer waived his Directors' fees.

(3) Company car.

TABLE 3 – TABLE OF NON-EXECUTIVE DIRECTOR'S FEES AND OTHER COMPENSATION AS OF 31 MARCH 2014 ⁽¹⁾

Non-Executive Directors	Fiscal year 2012/13		Fiscal year 2013/14	
	Amounts due in respect of the fiscal year (in €)	Amounts paid in during the fiscal year (in €)	Amounts due in respect of the fiscal year (in €)	Amounts paid in during the fiscal year (in €)
Jean-Paul Béchat ⁽²⁾	72,000	67,500	17,125	61,375
Candace K. Beinecke	57,000	52,500	61,000	60,500
Olivier Bouygues	57,000	46,500	51,000	60,500
Georges Chodron de Courcel	54,000	46,500	57,500	57,500
Pascal Colombani	66,000	64,500	79,000	75,500
Lalita D. Gupte	57,000	52,500	64,000	60,500
Jean-Martin Folz	64,000	62,500	77,000	73,500
Gérard Hauser	57,000	46,500	64,000	60,500
Katrina Landis	51,000	49,500	67,000	63,500
James W. Leng	67,000	62,500	74,000	70,500
Klaus Mangold ⁽³⁾	57,000	52,500	64,000	60,500
Amparo Moraleda ⁽⁴⁾	-	-	47,125	13,813
Alan Thomson	57,000	52,500	75,250	66,125
Bouygues ⁽⁵⁾	57,000	52,500	60,500	60,500
TOTAL	773,000	708,500	858,500	844,813

(1) Gross amounts. The Non-Executive Directors do not receive any other compensation from the Company or companies of the Group, with the exception of Mr Klaus Mangold (see (2) below).

(2) Director up to 2 July 2013.

(3) Mr Klaus Mangold as Chairman of the Supervisory Board of a Group's German subsidiary, since December 2010, is entitled to a gross annual remuneration set at €50,000.

(4) Appointed at the General Meeting dated 2 July 2013.

(5) Director whose permanent representative is Mr Philippe Marien.

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).

TABLE 4 – STOCK OPTIONS AWARDED DURING THE FISCAL YEAR 2013/14 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2014 BY THE COMPANY OR BY THE GROUP

Options awarded to each Executive Director by the issuer or by the Group (nominative list)	Number and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements (in €)	Number of options awarded during the fiscal year	Exercise price (in €)	Exercise period
Patrick Kron Chairman and Chief Executive Officer	LTI plan No. 16 of 1 October 2013	Conditional stock options	315,900	90,000 ^(*)	26.94	From 03/10/2016 to 30/09/2021 (both dates included)

(*) Entirely conditional stock options for which a portion of the shares subscribed is subject to a holding requirement until the expiry of Mr Patrick Kron's duties and until the target shareholding level is reached. These performance conditions are detailed on page 215 and in Note 22 to the consolidated financial statements as of 31 March 2014.

TABLE 5 – STOCK OPTIONS EXERCISED DURING FISCAL YEAR 2013/14 BY EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2014

Options exercised by the Executive Directors as of 31 March 2014 (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price (in €)	Award year
Patrick Kron Chairman and Chief Executive Officer	None	-	-	-

The summary of the total number of stock options held by Mr Patrick Kron as of 6 May 2014 is the following:

	Number of options	Unit exercise price (in €)	Maturity date of options
Plan 2006 No. 9 ⁽¹⁾	240,000 ⁽²⁾	37.33	27 September 2016
Plan 2007 No. 10 (LTI No. 10) ⁽¹⁾	115,000 ⁽³⁾	67.50	24 September 2017
Plan 2009 No. 12 (LTI No. 12)	32,000 ^{(3) (4)}	49.98	20 September 2017
Plan 2011 No. 14 (LTI No. 14)	70,000 ^{(3) (5)}	26.39	3 October 2019
Plan 2012 No. 15 (LTI No. 15)	50,000 ^{(3) (6)}	27.70	9 December 2020
Plan 2013 No. 16 (LTI No. 16)	90,000 ⁽³⁾	26.94	30 September 2021

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008.

(2) 144,000 options were conditional (condition completed as of 31 March 2008).

(3) 100% of the options are subject to Group's performance conditions and a portion of the shares subscribed as a result of these options are subject to a holding requirement until the expiry of Mr Patrick Kron's duties and until a target shareholding level is reached.

(4) Initially the allocation concerned 80,000 options. After applying the performance conditions, 60% of these options were cancelled (see Note 22 to the consolidated financial statements as of 31 March 2014). The number of remaining options is therefore equal to 32,000.

(5) Initially the allocation concerned 100,000 options. As a result of the application of the performance conditions linked to the results of the 2011/12, 2012/13 and 2013/14 fiscal years approved by the Board of Directors on 6 May 2014 (see Note 22 to the consolidated financial statements as of 31 March 2014), 30,000 options (i.e. 30% of the initial allocation) were cancelled. As such, the number of remaining stock options is equal to 70,000.

(6) Initially the allocation concerned 100,000 options. As a result of the application of the performance conditions linked to the results of the 2012/13 and 2013/14 fiscal years approved by the Board of Directors on 6 May 2014 (see Note 22 to the consolidated financial statements as of 31 March 2014), 50,000 options (i.e. 50% of the initial allocation) were cancelled and 30,000 options (i.e. 30% of the initial allocation) are as of today vested. The remaining part will be subject to the results of fiscal year 2014/15.

The summary of all stock options plans appears on pages 235 and 236 of the Registration Document for the 2013/14 fiscal year filed with the AMF.

TABLE 6 – PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR 2013/14 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2014 BY THE COMPANY OR THE GROUP

Performance shares awarded during the fiscal year to each Executive Director by the Company or the Group (nominative list)	Number and date of the plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method used for the consolidated financial statements (in €)	Acquisition date	Availability date
Patrick Kron Chairman and Chief Executive Officer	LTI plan No. 16 of 1 October 2013	20,000 ^(*)	400,400	2 October 2017	As soon as vested except for shares subject to the holding requirement

(*) Entirely conditional allocation for which a portion of the shares delivered is subject to a holding requirement until the expiry of Mr Patrick Kron's duties and until a target shareholding level is reached. The performance conditions are discussed on page 215 and in Note 22 to the consolidated financial statements as of 31 March 2014.

The total numbers of rights to performance shares held by Mr Patrick Kron as of 6 May 2014 are as follows:

Plan	Number of performance shares	Valuation of the share (in €) ⁽⁴⁾	Date of final delivery shares
Plan 2011 (LTI No. 14)	7,000 ^{(1) (2)}	18.60	The fifth business day following the day of publication of the 2013/14 consolidated accounts
Plan 2012 (LTI No. 15)	5,000 ^{(1) (3)}	24.40	The fifth business day following the day of publication of the 2014/15 consolidated accounts
Plan 2013 (LTI No. 16)	20,000 ⁽¹⁾	20.02	The fifth business day following the day of publication of the 2015/16 consolidated accounts

(1) Entirely conditional allocations and a portion of the shares delivered is subject to a holding requirement until the expiry of Mr Patrick Kron's functions and until a target shareholding level is reached.

(2) As a result of the application of the performance conditions (see Note 22 to the consolidated financial statements as of 31 March 2014), 3,000 rights to performance shares (30% of the initial number) were cancelled and the final delivery of 7,000 shares (70% of the initial allocation) is as of today vested.

(3) As a result of the application of the first performance condition linked to the results of the 2012/13 and 2013/14 fiscal years and approved by the Board of Directors on 6 May 2014 (see Note 22 to the consolidated financial statements as of 31 March 2014), 5,000 rights to performance shares (50% of the initial number) were cancelled and the final delivery of 3,000 shares (30% of the initial allocation) is as of today vested. The remaining part will be subject to the results of fiscal year 2014/15.

(4) The performance shares are valued on their grant date according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 22 to the consolidated financial statements as of 31 March 2014).

The summary of all performance shares plans appears on pages 238 and 239 of the Registration Document for the 2013/14 fiscal year filed with the AMF.

TABLE 7 – PERFORMANCE SHARES THAT HAVE BECOME AVAILABLE DURING THE FISCAL YEAR FOR EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2014

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 financial year	Acquisition terms	Delivery date
Patrick Kron Chairman and Chief Executive Officer	-	None	-	-

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

Staggering the terms of office of Directors

The Code states, "The staggering of terms of office must be organised in such a way as to avoid a block renewal and to favour a harmonious renewal of Directors' terms of office."

A Director is appointed for a four-year term. The terms of office have not been staggered in the by laws as the renewal of such terms of office is distributed over three consecutive years.

(See paragraph Composition of the Board of Directors, page 191.)

Time frame for the review of financial statements by the Audit Committee

The Code states, "The time frames for the review of the financial statements must be sufficient (at least two days prior to their review by the Board of Directors)."

This recommendation cannot be complied with. However, draft versions of the financial statements are sent to Directors very early in the review process.

Indeed "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, subject to certain exceptions, 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 have on occasion met several days before the Board meeting."

(See paragraphs "Information to be provided to Directors" and "Board Committees" page 206.)

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 or the Management Board. Such seniority cannot be less than two years."*

Even though the 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.

(See paragraph "Supplemental retirement scheme" page 216.)

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 "Allocation of conditional stock options and/or performance shares," on page 214.)

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 by-laws. The provisions of Article 15 of the by-laws appear on page 309 of the Registration Document for the 2013/14 fiscal year filed with the AMF and posted online on the Company's website.

Generally speaking, the members of the Board of Directors are present at Shareholders' Meetings.

Elements that could have an impact in the event of a tender 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 pages 322 and 323 of the Registration Document for the 2013/14 fiscal year filed with the AMF.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES' REPORT

As part of its operational activities, the Alstom Group is confronted by a number of risks both external and internal, as stated in the Risks Factors section of the Registration Document 2013/14 filed with the *Autorité des marchés financiers* ("AMF") (see page 173).

The Group put therefore 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.

The present 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 Department, the Ethics & Compliance Department, the Environmental, Health & Safety Department and the Sector Research & Development Departments.

Perimeter of internal control

The internal control system described herein covers the parent company 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.

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 Group has put in place a structured organisation which is responsible for defining the internal control requirements, writing the Internal Control Manual, 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 Sector Internal Control teams, and overseen by the central Internal Control team under the responsibility of the Senior Vice President of Internal Control.

A community of experts in internal control composed of the central and Sector Internal Control teams with relays in the reporting units ("unit") has been developed. This group communicates regularly to share good practices and drive the required change management. Moreover, each Sector President defines the internal organisation of his Sector in a way that ensures efficiency and performance of the businesses.

Sectors are organised in businesses composed of a certain number of 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 "Group Instructions") and are posted on the Group's intranet website.

The Group Instructions deal with issues of importance throughout the Company and are mandatory for the whole Group, including Sectors, businesses, units, countries and functions. Once a Group instruction is issued, all units must ensure that any pre-existing procedures, policies, directives or other communications at any level are revised to comply with the said Corporate Instruction.

The Group Instructions define the Group's management organisation as well as the responsibilities and organisation of the various functions within the Group. They also require compliance with the Group's Code of Ethics, Internal Control Manual and 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 regularly updated (most recently in May 2011), 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 that applies to every employee within the Group. The Code of Ethics has been translated in 22 languages, English, French, Arabic, Brazilian-Portuguese, Chinese, Croatian, Czech, Dutch, Finnish, German, Greek, Hindi/English Hungarian, Indonesian, Italian, Japanese, Polish, Portuguese Romanian, Russian, Spanish, Turkish. Additional languages can be added upon request. It is distributed to each employee and is also delivered to the Group's external stakeholders.

It is designed to promote honest and ethical conduct with all stakeholders: customers, suppliers and contractors, competitors, shareholders, governments, regulatory authorities and the public. Every employee within the Group is accountable for respecting the principles and rules of the Code of Ethics.

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; and
- internal control and disclosure of information, to ensure the quality and reliability of financial information.

The Code of Ethics prescribes essential rules of conduct with regards to the relationships with business partners, Alstom commitments as a socially responsible company, human resources policies and commitment in protecting the Group's assets.

Topics addressed include the way Alstom deals with customers, suppliers, business advisors, government contracts, export and trade controls, money laundering, conflicts of interest, gifts and hospitality, political contributions, charitable contributions, sponsorship, protection of the Environment, Health and Safety, security of employees, social relations, equal opportunity and diversity, career management of employees, data privacy, confidential information, intellectual property, use of communication resources, insider dealing and communication with the media and investors.

In addition, the Code of Ethics details the Alert Procedure which allows any employee or any person or third party in relationship with Alstom to report violations of prevention of corruption, competition and securities and accounting laws and regulations.

It introduces the Alstom Integrity Programme, implemented and monitored throughout the Group under the responsibility of the Senior Vice President Ethics & Compliance.

It refers to the Group Instructions, which 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 available on Alstom's website (www.alstom.com/ethics).

Internal Control Manual & Reporting and Accounting Manual

The Internal Control Manual defines the requirements, instructions and necessary practices to create and maintain a satisfactory control environment and covers over Group financial reporting. The Internal Control Manual is posted on Alstom's intranet site.

The Internal Control Manual contains a number of principles that are mandatory and to be complied with at all times by all business units, notably:

- segregation of duties with internal check to be performed continuously;
- delegation of authorities, mandatory on all units.

The management of the respective entity, unit, business, Sector, country or Corporate is responsible for developing, implementing, operating and monitoring systems of internal control in compliance with the Internal Control Manual and for providing assurance that it has done so.

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 University develops 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 which involves the Sectors, Alstom International Network and the Corporate functions. Over fiscal years 2012/13 and 2013/14, more than 200 people have undertaken training on Internal control. Initially concentrated mainly on the finance community, an e-learning module specifically targeting the non-finance community has also been developed.

Risk assessment & risk management process

Objectives

Since fiscal year 2006/07, a yearly risk assessment 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 four Sectors and of the Corporate functions including the Sectors' management teams, the Internal Audit and Internal Control Department, the finance function including the Departments Tenders & Projects Control, Information Systems and Technology, Human Resources, Legal, Ethics & Compliance and Environment Health & Safety. Corporate role is to ensure overall coordination between risk assessment owners.

Evaluation

The update of the cartography of risks and the main characteristics of the risk management system are presented every year to both the Audit Committee and the Board of Directors.

The Ethics, Compliance and Sustainability Committee reviews the cartography of risks 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 cartography of risks 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 2013/14 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, Sectors and Corporate functions update the risk assessment as part of the budget and three-year plan process.

For each Sector, the risk assessment is approved by the management team under the control of the Sector President. Risk assessment for transverse Corporate activities is made by the relevant Senior Corporate officer.

Each Sector President is responsible for the effective management of risks within his Sector. In addition, functional Vice Presidents (within finance, legal, human resources, ethics and compliance) are responsible for managing risks pertaining to their own processes.

Group, Sector and Corporate 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.

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 both by quality reviewers at Sector level and 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 Sector intranet sites in order to ensure large information coverage to the units.

During the October 2013 self-assessment questionnaire review, more than 5,000 users have been mobilised, as well as the Internal Control Department comprised of 31 persons including four IT specialists which brought support to the units.

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 cartography of risks, 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 multi-year 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 Committees

The Chairman and Chief Executive Officer and the Chief Financial Officer have established Disclosure Committees at Corporate and Sector levels 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 Corporate Disclosure Committee is composed of the Chief Financial Officer, the General Counsel, the Senior Vice President of Internal Control, the Senior Vice President Finance Corporate Controller, the Vice President Tenders & Projects Control, and a member from each of the Sector Managements.

Each Sector has established its own Disclosure Committee, which reports to the Corporate Disclosure Committee as to the results of its review of the disclosure controls and procedures, and on its evaluation of the effectiveness within its Sector.

The Group Corporate Disclosure Committee met twice during fiscal year 2013/14 under the Chairmanship of the Chief Financial Officer.

The consolidated financial statements for the fiscal year ended 31 March 2013 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 2013 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.

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, designs and leads key financial processes.

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 Senior 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 with the Senior Vice President Ethics and Compliance.

Since 2009, competencies in information systems have been progressively developed, and since 2009 the headcount of the second office in Kuala Lumpur (Malaysia) has been reinforced. Since 2008, the Internal Control function is under the supervision of the Senior 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.

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 cartography of risks 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 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.

Alstom Internal Audit was awarded IFACI certification in October 2007 which was renewed in November 2013 for a 3-year period. IFACI is the French branch of the international Institute of Internal Auditors (IIA). The certification demonstrates that Alstom Internal Audit is compliant with the IIA standards, including independence and objectivity, proficiency and due professional care, quality assurance and improvement programme, nature of work, communication of results.

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 Manual and 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.

The Group Internal Control Department is relayed in each Sector by a team of professionals in internal control.

The Sector Internal Control teams assist unit and business management in implementing internal control rules and instructions, remediating deficiencies, and improving in general the internal control level. They closely follow the results of the self-assessment campaigns, participate to the major projects of their respective Sector (such as the implementation of a new information system or integration of new entities) in order to bring in their expertise, and propose various initiatives to address internal control challenges specific to their Sector.

In December 2010, the Internal Control Department was awarded on behalf of Alstom the "Great Prize of Internal Control" by IFACI.

Ethics & Compliance Department

Ethics and Compliance stands as a top priority for Alstom, and the Department 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. Alstom Senior Vice President Ethics & Compliance is secretary for the Ethics and Compliance part.

The main role of Ethics & Compliance at Group and Sector 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 process of qualification of business advisor proposed by the Sectors in relation to the development of business and sales, and monitor the corresponding due diligence;
- implement all necessary rules and policies; and
- monitor the performance of the Alstom Integrity Programme on a continuous basis.

The Ethics & Compliance Department comprises 40 people. Ethics & Compliance has full authority and independence through its reporting to the Group General Counsel. Moreover, the Senior Vice President Ethics & Compliance has a direct access to Alstom Chairman and Chief Executive Officer and to the EC&S Committee. The Senior Vice President Ethics & Compliance is then fully independent and has an unfiltered access to the governing authorities of Alstom.

In addition to the Senior Vice President Ethics & Compliance, the Ethics & Compliance Department comprises a Compliance Officer in charge of the Alstom Integrity Programme Development, a Compliance Officer in charge of the prior due diligence on the business advisors ("Due Diligence Manager") and a Compliance Officer in charge of checking & control of the payment to the business advisors ("Final Checking Manager").

The Sector Compliance Officers in charge of the application of the Ethics & Compliance policy in their Sectors report directly to the Senior Vice President Ethics & Compliance with a functional reporting to the respective Sector General Counsel. Compliance Officers are also appointed in countries where Group activities are important.

During fiscal year 2013/14, new Compliance Officers have been appointed respectively in Russia, South Africa and East Asia Pacific. An additional Compliance Officer was appointed in China. A Compliance Officer for Training and Coordination, a Due Diligence Manager, a Final Checking Manager and a Project Manager reinforced the team based in the headquarters.

The Sector Compliance Process Managers, dealing with the process in relation to the qualification of business advisors report functionally to their respective Sector Compliance Officer.

To reinforce the resources of Ethics & Compliance, a community of approximately 300 Ethics & Compliance Ambassadors as of today, all volunteers to promote the integrity culture of the Group, exists since May 2010.

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.

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, sales business partners, consulting companies and conflicts of interest. In 2013 two additional Group Instructions were released on prevention of corruption with suppliers and contractors and in joint ventures and consortium.

During fiscal year 2013/14, approximately 4,800 employees have been trained on ethics and compliance, bringing the total population trained worldwide to approximately 14,300 people since the launch of the training programme in 2006.

To ensure that all Managers and Professionals in the Group understand and adhere to the principles expressed in the Code of Ethics, the e-learning module called e-Ethics has been launched in all countries.

The completion of the module is mandatory for all Managers & Professionals. In March 2012, it was officially deployed within Grid Sector. As of end of March 2014, over 60,000 employees have completed e-Ethics since it was launched in 2010.

Extensive communications have been deployed for employees and external stakeholders.

For employees to be well-informed:

- a dedicated, and regularly updated section on Altair, Alstom's intranet, called "Ethics & Compliance", containing not only the E&C Group Instructions but also information on Prevention of Corruption and Competition Law compliance, a monthly Newsletter and E&C 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 versions 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.

Beginning of 2014, the audit of the Alstom Integrity Programme was launched in view of obtaining the renewal of its certification awarded by ETHIC Intelligence previously awarded in 2009 and 2011.

Information Systems function

The Information Systems and Technology (IS&T) function is composed of a Corporate team (IS&T), Sectors Information Systems (IS) Departments and Information Technology Shared Service Centers (ITSSC).

Its main mission 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 Sectors productivity using optimised and innovative technology in a cost effective, secure and compliant way.

In October 2012, the Chief Information Officer (CIO) and IS&T Executive Committee launched the IS&T 2015 Programme, validated by Alstom Executive Committee. The IS&T 2015 Programme vision aims at making IS&T the Group solution integrator and innovative business partner by focusing on three main pillars: added value to the businesses, quality of service and IS&T cost efficiency.

As part of this programme, some initiatives have been launched to reinforce IS&T internal control:

- IT assets management centralisation;
- infrastructures upgrade (WAN, LAN, telephony, Windows 7, Unified communication);
- rationalization of the application landscape, decommissioning of legacy systems;
- 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...).

In terms of organisation, ITSSC is now covering all Sectors and countries where Alstom operates.

The new governance bodies reinforce the Group's ability to address the IS&T risk through a central monitoring of Group systems and Infrastructure, and a better control of IS&T activities. A Strategy and Transformation Department assists the CIO to control Company-wide elements, to set IS&T principles, architecture, processes and rules, and to enforce common practices, services and standards.

Management of specific risks

Risks in relation to contracts

Corporate Risk Committee

The Corporate Risk Committee is chaired by the Chairman and Chief Executive Officer and aims to report on the main project risks both at tender stage and during execution, as well as internal audit results and other specific matters.

The Corporate Risk Committee is composed of the Chairman and Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Senior Vice President of Internal Audit, the Senior Vice President Alstom International Network, the Project and Export Finance Director and the Vice President Tenders and Projects Control, and meets on a monthly basis in order to:

- highlight risks essentially from major tenders reviewed in the preceding month and exceeding a threshold in size or deviating from defined criteria. The tenders reviewed by the Tenders & Projects Control Department are required to be approved by the Chairman and Chief Executive Officer or the Chief Financial Officer or the Senior Vice President Finance Corporate Controller before the bid date;
- be briefed on the project reviews particularly those attended by the Tenders & Projects Control Department during the preceding month;
- review matters reported by Internal Audit, the International Network Department; and/or Project and Export Finance Department;
- be briefed on specific concerns and topics (e.g. cartography of risks, bidding policy for specific sensitive countries) which may arise from time to time and have an impact on the Sectors activities.

As the Internal Control Manual specifies that the Sectors project reviews held must be reported and held 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 a similar way, each Sector has established risk review procedures, which are consistent with the Group's principles.

In particular, the relevant Sector's Management must be advised of:

- 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 Sector 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 in each Sector by a specific reporting and validation tool.

Risks in relation 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 (market, liquidity, foreign exchange and interest rate), the relationships with subsidiaries, the cash pooling structure and the netting process.

The central organisation facilitates the financial risk management as all financial transactions are performed or 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 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 26 to the consolidated financial statements for the fiscal year ended 31 March 2014.

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 quarterly meetings to monitor the schemes' evolution.

Risks in relation to international trade

Ethics & Compliance Department

Depending on the circumstances, the Group may use business advisors in order to build competitive sales offers.

To be in a position to control the relationship between a business advisor and a Sector, the Ethics & Compliance Department has introduced and implemented clear and transparent procedures, ensuring they are strictly applied in the Sectors and ensuring the use of external investigation tools and means to check the integrity and competence of appointed sales business advisors.

Alstom has deployed all its efforts since early 2000 to strengthen its internal procedures, increasing centralisation of control.

Until January 2014, Alstom has been using commercial advisors (sales consultants) to support its own commercial teams in a number of countries. Such commercial advisors were compensated on a "success fee" based for the specific project they were selected for. Over the 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 decided to discontinue the hiring of such commercial advisors on 17 January 2014.

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 Sector Legal Departments, Country Counsels and the Corporate Legal Department.

The Sector Legal Departments are headed by General Counsels, who report functionally to the Group General Counsel and operationally to his Sector President. The Sector Legal Departments are responsible for handling legal matters for their Sector. 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 main risks in relation to contract performance are presented in the Risks Factors section of the Registration Document 2013/14 filed with the AMF.

The Country Counsels, appointed in several countries where the Group is present, provide legal support to one or more Sectors and are responsible for corporate law matters in their country. The Country Counsels report functionally to the Group General Counsel and to senior members of the legal function and operationally to their Country President.

The Corporate Legal Department is headed by the Group General Counsel, reporting to the Chief Executive Officer. The Corporate Legal Department provides legal assistance to the Board of Directors and senior management, to other corporate functions, Sectors and Countries, as appropriate, in dispute resolution, acquisitions and disposals of businesses, finance and stock market law, insurance, intellectual property, competition law, sourcing and criminal law. The Ethics & Compliance Department reports to the Group General Counsel.

The Group General Counsel attends all Board, Audit, and EC&S Committees meetings to which he provides on a regular basis an update on ongoing legal proceedings and investigations.

The Corporate Legal Department handles notably 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 at all levels of the Group (Sector, Country, and Corporate) training on the management of legal risks.

The major legal risks and disputes are presented respectively in the Risks Factors section and Note 30.2 to the Consolidated Financial Statements of Registration Document 2013/14 filed with the AMF.

Risks in relation to Environment, Health and Safety (EHS)

The Corporate Environment, Health, Safety (EHS) Department is responsible for defining and following environment, health and working safety policy. It is supported in its mission by the EHS managers network at Sectors, businesses and sites levels to ensure deployment of the policy.

Based on the Group EHS roadmap internal and external assessors network validate EHS actions and advice on deployment plans.

Through the programme 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 consumption Greenhouse gas and Volatile Organic Compounds emission and to minimize risks related to waste and pollution;
- ensure to its employees, suppliers and contractors, involved in contract execution the best protection regarding safety and health.

A 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 reported to the Executive Committee and the EC&S Committee of the Board ("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.

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 business and operational centres in order to guide the risk management approach.

During fiscal year 2013/14, 170 EHS audits were performed, in the plan to reduce serious accidents and control of high-risk activities: "Zero Deviation Plan" and conducted by Internal Auditors specifically trained. In addition, each site has achieved a monthly self-evaluation based on the safety guidelines of the plan. By 31 March 2014, 100% of the industrials sites over 200 people have been ISO 14001 certified.

Risks in relation to the design and use of complex technology

The management of risks related to the design and use of complex technology 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.

Each Sector has developed and implemented its own procedures and organisation to manage the R&D process in compliance with the Group instruction.

In the Transport Sector, the Technology Approval Board validates new technologies and new architectures to be employed in the development of a product/system.

The Development Review Board governs up-stream product development for Platforms, ensuring that product/system developments meet quality/cost/delivery performances. All gate reviews of the technology and product phases are validated by the above Boards. A Gate Review Dashboard allows to monitor the progress of the gate reviews through a centralised tool.

In Thermal Power and Renewable Power Sectors, an R&D Investment Board is in charge of ensuring that the Power development portfolio is reviewed and controlled. The Technology function is responsible for deploying and implementing processes to make sure that R&D programs are executed timely achieving the specified performance and within budget and that appropriate reporting is done.

In the Grid Sector, each Business is responsible for identifying the risks associated with the projects, as well as defining the means used to mitigate and eliminate these risks, in respect of Grid Quality processes.

Technology Development Quality process, which applies to new technologies, is supervised by Steering Committees involving R&D and Marketing management at the Sector and Product Line levels.

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.

In the Thermal Power Sector, industrial & technology risk related to turnkey plants is mainly mitigated by the:

- use of mature technology implemented in a specific configuration where operation and performance require an adaptation of the standard components;
- choice of new suppliers which requires confirmation of technology mastering;
- risk exposures of major component failure or low performing equipment delivered by external suppliers, several approaches have been put into place aiming to reduce probability of risk occurring and potential impact.

The response to risk regarding the use of complex technology is also differentiated based on the type of component involved.

New developments and upgrades have been validated by testing in our laboratories, test centres and on sites as scaled and full size models: Model test for steam turbines and the test power plant for the large gas turbine products are available. Tests are accomplished to validate the customer requirements.

A platform and modularisation initiative is being established to substantially increase the reuse of subsystems and modules to improve quality, reduce costs and lead time, resulting in lower overall risk.

In the Renewable Sector, in the area of hydraulic components supply, the main risk is generated by the environment and the way water flows to the equipment. In such unsteady conditions the turbine has to deliver a specified performance.

In order to reduce that risk, model processes have been put in place to optimise the hydraulic shape with the aim to obtain a validation of the prototype by the client.

This reduces the risk of technology problems further into project execution. Mechanical elements are designed following mature technologies, and the design evolves based on the contract performances defined by the contract. Quality tests are performed on the electrical systems at the various manufacturing steps.

In the Grid Sector, R&D processes are based on several steps (pre-studies, R&D and validation) closed by a gate review achieved by the product line management and Sector for major projects. This reduces the risk from complex and new technologies. A R&D handbook gathering tools, controls and good practices has been implemented.

Risks related to conception and use of complex technologies have been managed at several levels:

- standards are designed and applied by the competency centres across the product and production sites;
- identification process to manage the risk during the development and engineering phase.

In the Transport Sector, 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 standards that reduce risks arising in new projects.

Concerning Transport Information Solutions (TIS) Activity, 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 TIS has put in place, a strict methodology of development, validation, qualification and certification of its products which aims to ensure integrity and safety of operation for 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 technologies and products.

In both cases the choice of the scientific, technical, or manufacturing third party partner is significant and is subject to a strict evaluation.

All Sectors are managing the risks of complex technologies through various mechanisms across all stages of R&D and technology development through to project execution. This is an ongoing improvement process. However, the risk assessment process in place is not a full guarantee that all objectives of managing risk at Group level can be achieved.

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 2014.

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 Finance Corporate Control Department

The list of entities to be accounted for by the equity or proportionate methods or fully consolidated is drawn up by the Finance Corporate Control. 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 Sectors, 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 Sectors and ultimately to the Group Chief Financial Officer.

Unit Finance Directors must ensure 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 2014.

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.

Levallois-Perret, 6 May 2014

The Chairman of the Board of Directors

EXECUTIVE COMMITTEE

COMPOSITION AS OF 6 MAY 2014

The Executive Committee is composed of the following persons:

	Main Function	Entered Executive Committee Date	Age
Patrick Kron	Chairman and Chief Executive Officer	January 2003	60
Philippe Cochet	Executive Vice President; President of Thermal Power Sector	July 2011	54
Jérôme Péresse	Executive Vice President; President of Renewable Power Sector	July 2011	47
Henri Poupart-Lafarge	Executive Vice President; President of Transport Sector	October 2004	45
Grégoire Poux-Guillaume	Executive Vice President; President of Grid Sector	July 2011	44
Nicolas Tissot	Chief Financial Officer	May 2010	46
Keith Carr	General Counsel	July 2011	48
Bruno Guillemet	Senior Vice President Human Resources	July 2011	57

The Executive Committee met 11 times during the 2013/14 fiscal year.

COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The compensation of the Executive Committee members, 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.

For fiscal year 2013/14, the variable compensation is tied on the one hand, to the realisation of Group objectives related to free cash flow, operational margin and the level of margin in the backlog and also to the same objectives related to their only Sector for Sectors' Presidents, and on the other hand, to the realisation of specific objectives for each Sector or function. These specific objectives refer to the programmes of priority actions included in the budgets and strategic plans, and are evaluated by the Nominations and Remuneration Committee.

For Sector Presidents, if the set objectives are met, the financial objectives represent 36% and the specific objectives 24% of the annual base salary. The financial objectives can vary in a 0-72% range, and the specific objectives can vary in a 0-24% range, depending on performance. Therefore, their variable salary varies in a 0-96% range of their annual fixed salary.

For functional officers, if the set objectives are met, the financial objectives represent 30% and the specific objectives 20% of the annual base salary. The financial objectives can vary in a 0-60% range, and the specific objectives can vary in a 0-20% range, depending on performance. Therefore, their variable salary varies in a 0-80% range of their annual fixed salary.

Total compensation packages are tied to both the Company's financial performance and individual and team contributions.

They are based on best practices within the industry, compensation surveys and advice from specialised international counsels.

The overall amount of the gross compensation due to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer's remuneration detailed on pages 212 and 213, by the Company and the companies controlled by the Company within the meaning of Article L. 233-16 of the French Commercial Code in respect of fiscal year 2013/14 amounted to €5,641,000. The fixed component represents €3,478,000 (seven members of the Executive Committee concerned as of 31 March 2014, excluding the Chairman and Chief Executive Officer) and the variable component linked to the results of fiscal year 2013/14 represents €2,163,000 (seven members of the Executive Committee concerned as of 31 March 2014, excluding the Chairman and Chief Executive Officer).

The total corresponding amount paid in respect of fiscal year 2012/13 to the members of the Executive Committee (seven members of the Executive Committee concerned as of 31 March 2013, excluding the Chairman and Chief Executive Officer) was €5,377,000.

The members of the Executive Committee benefit from supplementary retirement schemes (defined contribution plan and defined benefit plan). The total amount of the defined benefit obligation as of 31 March 2014 for the members of the Executive Committee (excluding the Chairman and Chief Executive Officer) is €5,311,000 including the legal retirement indemnities plus the taxes applicable to supplemental retirement schemes as increased since 1 January 2013. The total amount of contributions paid by the Group, within the defined contribution plan, was €119,966 for the fiscal year 2013/14 (excluding the Chairman and Chief Executive Officer).

There are no amounts set aside or accrued to provide specific benefits to members of the Executive Committee (including the Chairman and Chief Executive Officer) other than amounts to provide pension or similar benefits.

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 2014)

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.225235 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 2014.

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

The 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 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 Courbevoie, 7 May 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Olivier Lotz

Mazars
Thierry Colin

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 stock options plan in France and outside France within the framework of the authorisation granted by the General Shareholders' Meeting.

The Board of Directors grants stock options plans upon the proposal of the Nominations and Remuneration Committee, which reviews all terms of these plans, including the granting criteria. The awards are made with a regular frequency, at the end of September each year. Exceptionally, the awards of the 2010 plan (LTI plan No. 13) and 2012 plan (LTI plan No. 15) were allocated in December due to the matters on the agenda of the end September Board meetings.

Through 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 free allocation of shares and subject the exercise of all stock options and the delivery of all shares to identical performance conditions and attendance requirements (please refer to the characteristics of these plans, as set forth in subsequent pages).

The respective proportions of stock options and performance shares allocated vary according to beneficiaries' level of responsibility and performance, it being specified that the proportion of stock options increases as responsibility and performance levels increase. With respect to the lowest hierarchical positions, only performance shares are allocated in this way within the framework of the LTI plans offered since fiscal year 2008/09.

Beneficiaries of stock options and 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 the Company and its subsidiaries, which have made a significant contribution to the Group's results.

For the LTI plan No. 16 allocated during fiscal year 2013/14, the number of beneficiaries (1,814 people) corresponds to around 2% of total Group employees (same rate since 2004).

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 options and/or performance shares granted to members of the Executive Committee are similar to those of all the other grants.

The long term incentive plan (LTI No. 16) of 1 October 2013 bears on a total amount of conditional stock options (671,700 stock options granted) and free performance shares (1,000,700 allocation rights

granted) corresponding to 0.22% and 0.32% of the share capital as of the grant date, respectively, and a total of 0.54% of the share capital. In accordance with observed market trends, it was decided to increase the ratio of performance shares granted and decrease the ratio of stock options granted.

The previous plan (LTI Plan No. 15 dated 6 November 2012) concerned a total amount of stock options (1,312,620 stock options granted) and free performance shares (781,540 allocation rights granted) corresponding to respectively 0.43% and 0.25%, of the share capital as of the grant date, and a total of 0.68% of the share capital.

As of 31 March 2014, Executive Committee members (excluding the Chairman and Chief Executive Officer) received 185,000 conditional stock options and 90,000 free performance shares in 2013, representing 16.4% of the total number of options and free performance shares granted.

For information on the allocation to the Chairman and Chief Executive Officer, see section Compensation of Executive and Non-Executive Directors of the Chairman's report (see pages 212 to 220).

Main characteristics of the stock options

- Frequency: annual allocation at the end of September or early October of each year. In 2010 and 2012, the allocations have been exceptionally completed in December.
- No discount: yes.
- Term of the options: eight years (since the LTI plan No. 12).
- Exercise deferral: three years.
- Shares can be sold: at expiration of a 3-year period since the LTI Plan No. 16 (except in the cases described below).
- Performance conditions: yes (since fiscal year 2006/07, all options are granted subject to Group performance conditions to be met over the course of three fiscal years following the stock options grant date (see below).
- Holding requirement: yes, for the members of the Executive Committee since fiscal year 2007/08 (see below).

For each plan, the options' subscription price, determined by the Board when the Board of Directors grants the options, has no discount. It corresponds to the average price of the shares during the twenty trading days preceding the day when the Board of Directors grants the options.

The option life of the plans was ten years and has been reduced to eight years as from the LTI plan No. 12 granted in 2009. The options are generally exercisable at the expiry of a vesting period of three years as from the grant date. In France, for grants made prior to 28 September 2012, beneficiaries who are French residents must also keep the shares subscribed up until the expiry of a four-year period following the grant date of the plan.

Since the 2006/07 fiscal year, all the options granted are conditional and submitted to the achievement of demanding and pre-determined internal performance conditions set forth in the table below.

The performance condition retained since 2006 is the future operating margin level of the Group, which is the same criterion used for performance shares and the objectives of the Group.

For LTI Plan No. 16 granted during fiscal year 2013/14, the requirement to achieve predetermined Group operating margin levels for fiscal years 2014/15 and 2015/16, which are set to improve gradually over the 3-year period and are consistent with the Group's three-year plan as of the grant date, is complemented by the requirement to avoid generating any negative free cash flow in respect of these two fiscal years (See Note 22 to the consolidated financial statements for fiscal year 2013/14). The decision to only account for those performances recorded in the second and third fiscal years following that in which the Plan was granted intensifies the demanding nature and long-term characteristics of the performance conditions governing the plans set up by the Company including, for LTI Plan No. 16, a 40% cap on grant amounts that can be definitively acquired in the second fiscal year following that in which the Plan was granted, and 60% in the third fiscal year.

As of today, it was not considered appropriate to add to these internal performance criteria, an external criteria based on the performance of the Group compared to those of competitors whose scopes are not directly comparable.

The exercise of options is also subject to the beneficiary's presence within the Group, with some exceptions.

Main characteristics of the performance shares

- Frequency: annual allocation at the end of September of each year. In 2010 and 2012 the plans have been exceptionally completed in December.
- Performance requirement: yes, the final allocation of all shares is contingent upon the satisfaction of Group performance requirements over a period of three fiscal years following the grant date.
- Final allocation: once in full at expiration of a four-year period for all beneficiaries (for grants made up to the 2012/13 fiscal year, this period was approximately three years long for French residents and four years long for non-French residents).
- Holding requirement: none where the shares are granted at expiration of a four-year term, two years in all other cases.
- Specific holding requirement for members of the Executive Committee: yes since fiscal year 2007/08 (see below).

Generally speaking, the shares are allocated following an acquisition period of around three years following the date upon which the Board of Directors allocated the shares in France or four years outside of France, subject to satisfying performance requirements linked to the Company. With respect to LTI Plan No. 16, this period is four 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 of the performance shares to beneficiaries within the LTI plans granted since 2007, is subject to the same conditions associated with the Group's performance at the end of or over a three-fiscal year period as the exercise of the conditional stock options. The definitive allocation is also subject to conditions associated with the executive's presence within the Group, save in exceptional cases as provided for in the plan.

The LTI plan No. 16 granted on 1 October 2013 renders the percentage of effective allocation of the shares subject to the achievement of predetermined Group's operating margin levels for the fiscal years 2014/15 and 2015/16 and requires the absence of a negative free cash flow for each fiscal year, as for the conditional stock options (see Note 22 to the consolidated financial statements for fiscal year 2013/14).

While subject to these set conditions being satisfied, the definitive allocation of shares under the LTI plan No. 16 can occur (with the exception of the occurrence of an early definitive allocation) four years following the date upon which the Board of Directors granted the shares, subject to the beneficiaries' continued presence 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 the custody requirements applicable to beneficiaries who are members of the Executive Committee.

Therefore, for the entire period of time during which they perform their duties, such beneficiaries must hold, in registered form, a number of shares resulting from the exercise of options and the free allocation granted within these plans and corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of options and on the effective date of allocation of the performance shares.

At its meeting dated 1 October 2013, the Board of Directors made the holding requirements applicable to the Chairman and Chief Executive Officer more stringent (see page 214).

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. Any request to exercise stock options is subject to prior authorisation of the Human Resources Department in order to monitor compliance with the blackout trading periods by beneficiaries registered on the Group's insiders lists (see also pages 204 and 205). 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 outstanding at the end of fiscal year 2013/14

The total number of options that could be exercised according to the outstanding plans corresponds to 2.67% of the share capital as of 31 March 2014 (subject to achievement of the performance conditions linked to fiscal years 2014/15 and 2015/16 – see Note 22 to the consolidated financial statements for the 2013/14 fiscal year).

The main characteristics of all stocks option plans implemented by the Company and outstanding as of 31 March 2014 are summarised below. No other company of the Group has implemented stocks option plans giving right to the Company's shares.

	Plan No. 7 (conditional options)	Plan No. 8	Plan No. 9 (conditional options)	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	9 July 2004	9 July 2004	9 July 2004	26 June 2007	26 June 2007	22 June 2010	22 June 2010	22 June 2010	2 July 2013
Date of Board meeting	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007	21 Sept. 2009	13 Dec. 2010	4 Oct. 2011	6 Nov. 2012	1 Oct. 2013
Initial exercise price ⁽¹⁾	€17.20	€35.75	€74.66	€135	€49.98	€33.14	€26.39	€27.70	€26.94
Adjusted exercise price ⁽²⁾	€8.60	€17.88	€37.33	€67.50	-	-	-	-	-
Beginning of stock options exercise period	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	25 Sept. 2010	21 Sept. 2012	13 Dec. 2013	4 Oct. 2014	10 Dec. 2015	3 Oct. 2016
Expiry date	16 Sept. 2014	26 Sept. 2015	27 Sept. 2016	24 Sept. 2017	20 Sept. 2017	12 Dec. 2018	3 Oct. 2019	9 Dec. 2020	30 Sept. 2021
Number of beneficiaries	1,007	1,030	1,053	1,196	436	528	514	538	292
Total number of options (adjusted if any) ⁽²⁾	5,566,000	2,803,000	3,367,500	1,697,200	871,350 ⁽⁴⁾	1,235,120 ⁽⁵⁾	1,369,180 ⁽⁶⁾	1,312,690 ⁽⁷⁾	671,700
Total number of exercised options	4,790,121	1,874,171	526,967	1,000	-	-	-	-	-
Total number of cancelled options ⁽²⁾	417,200	266,800	396,250	236,800	556,270	367,808	418,428	181,993	10,000
Number of remaining options to be exercised as of 31 March 2014 ⁽²⁾	358,679	662,029	2,444,283	1,459,400	315,080	867,312	950,752 ⁽⁸⁾	1,130,697 ⁽⁹⁾	661,700
Percentage of capital as of 31 March 2014 that may be created	0.116%	0.214%	0.792%	0.473%	0.102%	0.281%	0.308% ⁽⁸⁾	0.366% ⁽⁹⁾	0.214%
Number of shares that may be subscribed as of 31 March 2014 by members of the Executive Committee ^{(2) (3)}	-	-	325,000	171,100	50,100	107,320	300,000 ⁽⁸⁾	306,000 ⁽⁹⁾	275,000
of which number of shares that may be subscribed by Mr Patrick Kron as of 31 March 2014	-	-	240,000	115,000	32,000	-	80,000 ⁽⁸⁾	90,000 ⁽⁹⁾	90,000

(1) Subscription price without discount corresponding to the average opening price of the shares during the 20 trading days preceding the day on which the options were granted by the Board. For plan No. 7, the initial exercise price has been multiplied by 40 to take account of the Company's share consolidation of 3 August 2005.

(2) Option plan No. 7 have been adjusted to consider the Company's share consolidation of 3 August 2005: a new share with a nominal value of €14 for 40 old shares with a nominal value of €0.35. Then option plans No. 7, 8, 9 and 10 have been adjusted to take into account the two-for-one split in the par value from €14 to €7 as of 7 July 2008.

(3) Refers to members of the Executive Committee as of 31 March 2014 and not to members as of the grand date.

(4) 60% of the options initially granted were cancelled upon application of the performance conditions linked to the results of the 2011/12 fiscal year (see Note 22 to the consolidated financial statements for fiscal year 2013/14).

(5) 20% of the options originally granted were cancelled upon application of the performance conditions linked to the results of fiscal years 2010/11, 2011/12 and 2012/13.

(6) 20% of these options were cancelled upon the application of the performance condition linked to the results of the 2011/12 and 2012/13 fiscal years (See Note 22 to the consolidated financial statements for fiscal year 2013/14).

(7) 10% of the stock options originally granted were cancelled upon the application of the performance condition linked to the results of the Alstom group for the 2012/13 fiscal year.

(8) After 31 March 2014, 10% of the stock options originally granted were cancelled upon the application of the performance condition linked to the results of the 2013/14 fiscal year approved by the Board of Directors on 6 May 2014 (See Note 22 to the consolidated financial statements for fiscal year 2013/14).

(9) After 31 March 2014, 40% of the stock options originally granted were cancelled upon the application of the performance condition linked to the results of the 2013/14 fiscal year approved by the Board of Directors on 6 May 2014 (See Note 22 to the consolidated financial statements for fiscal year 2013/14).

TERMS OF EXERCISE/PERFORMANCE CONDITIONS ⁽¹⁰⁾ ⁽¹¹⁾

Plan No. 7 (conditional options)	Plan No. 8	Plan No. 9 (conditional options)	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)
<ul style="list-style-type: none"> 100% of options can be exercised from 17 September 2007, upon the following conditions being met: the exercise of 50% of options granted was conditional to two targets being met at the 2005/06 financial year closing; the targets have been met: a positive free cash flow of the Group and a Group operating margin above or equal to 5% as per IFRS rules. 	<ul style="list-style-type: none"> 100% of options can be exercised from 27 Sept. 2008. 	<ul style="list-style-type: none"> 100% of options can be exercised from 28 September 2009 if the 2007/08 Group operating margin (the "2007/08 Margin") is equal or above 7.5%. 80% of options can be exercised if the 2007/08 Margin is between 7% (included) and 7.5% (excluded). 40% of options can be exercised if the 2007/08 Margin is below 7%. <p>Performance condition met: 100% of the options exercisable as from 28 Sept. 2009.</p>	<ul style="list-style-type: none"> 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%. <p>Performance condition met: 100% of the options exercisable as from 25 Sept. 2010.</p>	<ul style="list-style-type: none"> 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%. <p>Performance condition met: 40% of the options initially granted are exercisable as from 21 September 2012.</p>	<ul style="list-style-type: none"> 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%. <p>For more details, refer to Note 22 to the consolidated financial statements as of 31 March 2014.</p> <p>Performance conditions met: 80% of the options initially granted will be exercisable as from 13 December 2013.</p>	<ul style="list-style-type: none"> 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%. <p>For more details, refer to Note 22 to the consolidated financial statements as of 31 March 2014.</p> <p>Status of achievement: Only 70% of the options initially granted will be exercisable as from 4 October 2014.</p>	<ul style="list-style-type: none"> 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. <p>For more details, refer to Note 22 to the consolidated financial statements as of 31 March 2014.</p> <p>Status of achievement: As of today 30% of the options are vested and 50% are cancelled based on the performance condition linked to the results of fiscal years 2012/13 and 2013/14. The remaining options will be subject to the results of fiscal year 2014/15.</p>	<ul style="list-style-type: none"> 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. <p>For more details, refer to Note 22 to the consolidated financial statements as of 31 March 2014.</p>

(10) The exercise is also subject to employment condition within the Group unless exception.

(11) 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 as of 31 March 2011).

Plan LTI No. 11 became entirely null and void as the performance conditions linked to the results of fiscal year 2010/11 were not achieved. No option has been exercised under this plan.

Only 40% of the stock options offered under LTI plan No. 12 and 80% of the stock options offered under LTI plan No. 13 are exercisable upon application of the performance conditions of these plans.

After the close of the 2013/14 fiscal, 10% and 40%, respectively, of the stock options offered in the context of LTI plans No. 14 and No. 15 were cancelled following application of the performance condition linked to the results of the 2013/14 fiscal year approved by the Board of Directors on 6 May 2014 (see Note 22 to the consolidated financial statements for fiscal year 2013/14). As a result, only 70% of the stock options offered in the context of LTI plan No. 14 will be exercisable upon application of the performance conditions provided for under the plan.

Conditional stock options granted to Alstom's Executive and Non-Executive Directors (*mandataires sociaux*) during fiscal year 2013/14 and options exercised by them

The total number of options granted during fiscal year 2013/14 under plan LTI No. 16 to Mr Patrick Kron, Chairman and Chief Executive Officer

Stock options exercised during fiscal year 2013/14 by the ten employees who are not Alstom's Executive or Non-Executive Directors and who exercised the largest number of options

of the Company and the only Executive Director (*dirigeant mandataire social*) of the Company as of 31 March 2014, is provided in the Compensation of Executive and Non-Executive Directors (*mandataires sociaux*) section of the Chairman's report (see pages 212 to 220). No options were exercised by him during fiscal year 2013/14.

The Company has granted no options to any other *mandataire social* during fiscal year 2013/14.

Conditional stock options granted during fiscal year 2013/14 to the ten employees who are not Alstom's Executive or Non-Executive Directors and who received the largest number of options

A total of 200,000 conditional options was granted to the ten employees who received the greatest numbers of options (other than *mandataires sociaux*) under plan LTI No. 16.

	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 Executive or Non-Executive Directors and who exercised the largest number of options	38,150	€11.76

(*) Relates to exercise of options of plan No. 7 and No. 8. Figures have been adjusted to consider the two-for-one stock split as of 7 July 2008.

Summary of the main characteristics of the free performance share allocation plans outstanding as of the end of fiscal year 2013/14

The total number of performance shares that could be delivered according to the performance share plans during fiscal year 2013/14 and not already finally delivered corresponds to 0.69% of the share capital as of 31 March 2014 (subject to achievement of the performance conditions linked to fiscal years 2014/15 and 2015/16 – see Note 22 to the consolidated financial statements for fiscal year 2013/14).

	2010 plan (LTI No. 13) (performance shares)	2011 plan (LTI No. 14) (performance shares)	2012 plan (LTI No. 15) (performance shares)	2013 plan (LTI No. 16) (performance shares)
Date of Shareholders' Meeting	22 June 2010	22 June 2010	22 June 2010	2 July 2013
Date of Board meeting	13 December 2010	4 October 2011	6 November 2012	1 October 2013
Initial number of beneficiaries	1,716 beneficiaries	1,832 beneficiaries	1,763 beneficiaries	1 814 beneficiaries
Initial number of rights entitling their holders to an allocation of shares	740,860 shares ⁽⁴⁾	804,040 shares ⁽⁵⁾	781,540 shares ⁽⁶⁾	1,000,700 shares
Number of remaining rights as of 31 March 2014 entitling their holders to an allocation of shares	276,432 shares	575,272 shares ⁽⁶⁾	677,522 shares ⁽⁷⁾	976,900 shares
Final delivery of the shares (subject to performance conditions)	<ul style="list-style-type: none"> • For beneficiaries of French companies: 237,480 were delivered in May 2013. • For beneficiaries of companies outside France: 15 December 2014. 	<ul style="list-style-type: none"> • For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2013/14 (e.g. May 2014). • For beneficiaries of companies outside France: 5 October 2015. 	<ul style="list-style-type: none"> • For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2014/15 (e.g. May 2015). • For beneficiaries of companies outside France: 12 December 2016. 	<ul style="list-style-type: none"> • 2 October 2017
Percentage of capital that may be created (calculated on the capital as of 31 March 2014)	0.090%	0.186% ⁽⁶⁾	0.219% ⁽⁷⁾	0.316%
Number of shares as of 31 March 2014 that may be delivered to members of the Executive Committee ⁽¹⁾	736 shares	34,400 shares ⁽⁶⁾	38,700 shares ⁽⁷⁾	110,000 shares

	2010 plan (LTI No. 13) (performance shares)	2011 plan (LTI No. 14) (performance shares)	2012 plan (LTI No. 15) (performance shares)	2013 plan (LTI No. 16) (performance shares)
Performance conditions ⁽²⁾	<ul style="list-style-type: none"> The percentage of shares to be definitively delivered will vary according to the levels of the Group's operating margin for the 2010/11, 2011/12 and 2012/13 fiscal years (the "Margins"). 100% of the shares can be delivered if the Margins are equal to or higher than 7.5%. No share can be delivered if the Margins are lower than 6.5%. <p>For more details, refer to Note 22 to the consolidated financial statements for fiscal year 2013/14.</p> <p>Performance condition achieved: 80% of the shares initially granted will be delivered based on the achievement of the performance conditions.</p>	<ul style="list-style-type: none"> The percentage of shares to be delivered will vary according to the levels of the Group's operating margin for the 2011/12, 2012/13 and 2013/14 fiscal years (the "Margins"). 100% of the shares can be delivered if the Margins are equal to or higher than 7.5%. No share can be delivered if the Margins are lower than 6.5%. <p>For more details, refer to Note 22 to the consolidated financial statements for fiscal year 2013/14.</p> <p>Status of achievement: 70% of the shares initially granted will be delivered based on the achievement of the performance conditions.</p>	<ul style="list-style-type: none"> The percentage of shares to be delivered will vary according to the levels of the Group's operating margin for the 2012/13, 2013/14 and 2014/15 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 FCF for each fiscal year is equal to or higher than 0. No share can be delivered if the Margins are lower than 7% or the FCFs are negative. <p>For more details, refer to Note 22 to the consolidated financial statements for fiscal year 2013/14.</p> <p>Status of achievement: As of today, delivery of 30% of the shares is vested and 50% of the award is cancelled based on the performance condition linked to the results of fiscal years 2012/13 and 2013/14. The remaining shares will be subject to the results of fiscal year 2014/15.</p>	<ul style="list-style-type: none"> 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 FCF 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 FCFs are negative. <p>For more details, refer to Note 22 to the consolidated financial statements for fiscal year 2013/14.</p>
Shares retention period	Two years, except for shares to be delivered on 15 December 2014 barring any exception set forth by the plan ⁽³⁾ .	Two years, except for shares to be delivered on 5 October 2015 barring any exception set forth by the plan ⁽³⁾ .	Two years, except for shares to be delivered on 12 December 2016 barring any exception set forth by the plan ⁽³⁾ .	None ⁽³⁾

(1) Refers to the Executive Committee as of 31 March 2014. The numbers of rights to which Mr Patrick Kron is entitled under LTI plan Nos. 14, 15 and 16 are presented in the section Compensation of Executive and Non-Executive Directors of the Chairman's report (see page 220).

(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 214 for the Chairman and Chief Executive Officer and see page 234 for the other members of the Executive Committee).

(4) 20% of the rights to the grant of free shares initially offered have been cancelled upon application of the performance condition linked to the results of the 2010/11, 2011/12 and 2012/13 fiscal years (see Note 22 to the consolidated financial statements for fiscal year 2013/14).

(5) 20% of the rights to the grant of free shares initially offered have been cancelled upon application of the performance condition linked to the results of the 2011/12 and 2012/13 fiscal years (see Note 22 to the consolidated financial statements for fiscal year 2013/14).

(6) After 31 March 2014, 10% of the rights to the grant of free shares initially granted were cancelled upon application of the performance condition linked to the results of the 2013/14 fiscal year approved by the Board of Directors on 6 May 2014 (see Note 22 to the consolidated financial statements for fiscal year 2013/14).

(7) After 31 March 2014, 40% of the rights to the grant of free shares initially granted were cancelled upon the application of the performance condition linked to the results of the 2013/14 fiscal year approved by the Board of Directors on 6 May 2014 (See Note 22 to the consolidated financial statements for fiscal year 2013/14).

The plan LTI No. 11 became entirely null and void as the performance conditions linked to the results of the fiscal year 2010/11 were not reached. No performance share was delivered under this plan. Under LTI Plans No. 12 and No. 13, only 40% and 80%, respectively, of the rights to free shares have definitively vested upon application of the performance condition applicable under such plans.

Following the close of the 2013/14 fiscal year, 10% and 40% of the rights to the grant of free shares offered in the context of LTI plans No. 14 and No. 15 were cancelled, respectively, upon application of the performance condition linked to the results of the 2013/14 fiscal year approved by the Board of Directors on 6 May 2014 (See Note 22 to the consolidated financial statements as of fiscal year 2013/14). As a result, only 70% of the rights to the grant of free shares offered under LTI plan No. 14 will be finally delivered upon application of the performance conditions of the plan.

Free allocation of shares to Alstom's Executive and Non-Executive Directors (*mandataires sociaux*) during fiscal year 2013/14

The total number of performance shares allocated under plan LTI No. 16 to Mr Patrick Kron, Chairman and Chief Executive Officer of the

Company and the only Executive Director (*dirigeant mandataire social*) of the Company as of 31 March 2014, is indicated in the section of the Chairman's report related to the compensation of Executive and Non-Executive Directors (see pages 212 and 220).

The Company has granted no performance shares to any other *mandataire social* during fiscal year 2013/14 or under plans previously implemented by the Company.

Free shares allocated during fiscal year 2013/14 to the ten employees who are not Alstom's Executive or Non-Executive Directors and who received the largest number of free shares

A total of 105,000 rights to performance shares was granted to the ten employees who received the greatest numbers of rights to performance shares (other than *mandataires sociaux*) under plan LTI No. 16.

Moreover, a total of 17,240 performance shares was finally delivered to the ten employees who were finally delivered the greatest numbers of performance shares (other than *mandataires sociaux*) under plan LTI No. 13.

FREE SHARE PLANS FOR SUBSCRIBERS TO "ALSTOM SHARING" OFFERS LOCATED OUTSIDE OF FRANCE

Within the employee share purchase schemes called "Alstom Sharing 2007" and "Alstom Sharing 2009" (described hereafter page 242) reserved for Group employees and former employees participating in the Group's savings plan in 19 and 22 countries respectively including France, implemented during the fiscal years 2007/08 and 2008/09, the Board of Directors decided that the employees outside France subscribing to the "structured" formula will receive, instead of the employer company match offered to the subscribers to this formula in France, shares allocated for free by Alstom. These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

Alstom Sharing 2007

After having acknowledged the completion of the capital increase reserved for members of the *plan d'épargne Groupe Alstom* (the "Alstom Group Savings Plan", or "PEG") and of the capital increase reserved for the Company "Sharing Plus" proposed within the framework of the Alstom Sharing 2007 offering, the Board of Directors, acting pursuant to the powers granted to it by the Shareholders' Meeting held on 26 June 2007, decided on 18 March 2008 to carry out this free allocation, the principle of which was agreed to on 25 September 2007. The Board consequently, decided that a maximum number of 51,336 new shares of par value €14 each to be issued by the Company (or 102,672 shares of par value €7 each following the two-for-one split in the par value of the share dated 7 July 2008), would be allocated for free to subscribers of the "leverage" formula of the Alstom Sharing Plus 2007 offering in Australia, Belgium, Brazil, Canada, China, Germany, India, Italy, Malaysia, Mexico, The Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States, on the basis of one free share for each FCPE unit or share subscribed (depending on the case) by a given

participant under the "leverage" formula, up to a maximum of four free shares per participant.

80,594 free shares were created and delivered in one instalment to the participants on 1 July 2013 upon expiration of the vesting period on 30 June 2013 (barring the occurrence of any early delivery events). They can be sold freely, except for beneficiaries residing in France or subject to a French social security regime as of the date the shares are delivered. Indeed, following the vesting period, these latter beneficiaries will be subject to a two-year period during which the shares cannot be sold.

Alstom Sharing 2009

Within the framework of the Alstom Sharing 2009 offering, after having acknowledged the completion of the capital increase reserved for members of the Alstom Group Savings Plan (*plan d'épargne Groupe*) and of the capital increase reserved for Sharing Plus, the Board of Directors, acting pursuant to the powers granted to it by the Shareholders' Meeting dated 26 June 2007, decided on 4 May 2009 to carry out the free allocation, the principle of which had been decided on 23 September 2008. Consequently, the Board of Directors decided that a maximum amount of 137,817 new shares to be issued by the Company of par value €7 each would be allocated for free to subscribers of the offering known as Two for One 2009 residing outside of France in Australia, Belgium, Brazil, Canada, the Czech Republic, China, Germany, India, Indonesia, Italy, Malaysia, Mexico, the Netherlands, Poland, Portugal, Romania, Spain, Sweden, Switzerland, the United Kingdom, and the United States within the proportions set by the terms of the offering and up to the limit of a maximum amount of 15 free shares per participant.

These free shares will be issued and delivered to the participants in one instalment on 1 July 2014, after the vesting period ending on 30 June 2014 (save for early delivery events) provided that the employee is still part of the Alstom Group, save in exceptional cases as provided for in the plan. At that time, participants may sell the free shares freely,

except for beneficiaries residing in France or subject to a French social security regime as of the date the shares are delivered. Indeed, following the vesting period, these latter beneficiaries may be subject to a two-year period during which the shares cannot be sold.

Summary of the characteristics of the outstanding free share allocation plans carried out within the framework of the “Alstom Sharing” offerings

	Alstom Sharing 2009 plan
Date of Shareholders' Meeting	26 June 2007
Date of Board meeting	23 September 2008 – 4 May 2009
Initial number of beneficiaries	11,068 beneficiaries exclusively outside France
Initial number of rights entitling their holders to an allocation of shares (adjusted) (*)	137,817 shares
Number of remaining rights as of 31 March 2013 entitling their holders to an allocation of shares	113,406 shares
Issue and final delivery of the shares	1 July 2014
Percentage of capital as of 31 March 2014 that may be created	0.04%
Number of shares that may be delivered to members of the Executive Committee	-
Performance conditions	N/A
Shares retention period	None (unless exception set forth by the plan)

(*) Alstom Sharing 2007 plan has been adjusted to consider the two-for-one stock split as of 7 July 2008.

EMPLOYEE PROFIT-SHARING, SPECIFIC PROFIT-SHARING AND EMPLOYEE SAVINGS PLAN

Profit sharing

All the French subsidiaries of the Group to which the French law of 7 November 1990 applies have entered into employee 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)	2011	2012	2013
Statutory employee profit sharing agreements	20.3	18.9	17.2

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 2013/14 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 result of which are known within six months as from the end of fiscal year, i.e. 30 September of each year. 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)	2011	2012	2013
Specific employee profit sharing plans	44.2	19.7	36.4

Employee savings plan and retirement savings plan

Today, 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 €1,500 contributed over the year. In 2013, the French employees contributed €14.0 million in the Group Savings Plan and €9.7 million in the PERCO savings plan. These contributions to the

PERCO triggered an employer matching contribution of €2.4 million paid by Alstom.

Employee shareholdings within the Group savings plan

Within the Group Savings Plan, employee savings can also be invested in the Company securities.

Since its initial public offering and first listing, the Company implemented five share capital increases reserved for the employees participating in the Group Savings Plan. For the first one realised concurrently with the

first listing in 1998, a total of 2,941,869 shares were issued at a price of FRF167 per share (corresponding, after the share consolidation of 3 August 2005, to the equivalent of 73,546 new shares issued at the price of €1,018.36 per share).

In August 2000, a capital increase reserved for employees of the Company and its subsidiaries participating in the Group Savings Plan was approved for fiscal year 2000/01. As a result of this share capital increase, 1,689,056 new shares, with a nominal value of €6 per share, were issued at €24 per share (*i.e.*, after stock split, 84,452 new shares at €480 per share). These two operations have been directly subscribed by the employees.

In November 2004, a new capital increase was offered to the Company's employees (as well as to its former employees) in eight countries including France. Around 13,000 employees have subscribed this capital increase through a mutual fund in France and directly in the other countries. The capital increase brought in the subscription of 49,814,644 shares at a nominal value of €0.35 each and issued at €0.35 per share (equivalent to, after the par value split, 2,490,732 new shares at a price of €7 per share); the shares were offered with an employer matching contribution (for employees only) of €0.135 per old share with a maximum amount of €810 per subscriber.

Alstom Sharing 2007

During fiscal year 2007/08, an employee share purchase scheme called "Alstom Sharing 2007" reserved for Group employees (and former employees) with three months' seniority was offered in 19 countries including France. A total of 1 million shares were offered under both a formula known as "leverage" formula and a "classic" formula and this offering for the subscription of shares was conducted within the framework of the Group Savings Plan (hereinafter referred to as the "PEG").

Approximately 32% of the Group's eligible permanent employees (or approximately 18,800 employees) have subscribed to this capital increase, either through direct shareholding or *via a fonds commun de placement d'entreprise* (French employee shareholding vehicle, or "FCPE"), depending on the countries. The capital increase brought in the subscription of 350,012 shares with a par value of €14 each (or 700,024 shares of par value €7 each following the two-for-one par value split), corresponding to a capital increase par value amount of €4,900,168 and issued at a price of €113.93 per share (or €56.97 following the par value split) which includes a 20% discount relative to the average of the first prices of the Alstom share during the twenty trading days preceding the fixing of the price.

The shares or FCPE units subscribed remained locked up until 30 June 2013, with the exception of the occurrence of early exit events.

In France, the employees subscribing to the "leverage" formula benefited from an employer matching contribution in an amount corresponding to the amount of their own personal contribution, which was limited to the subscription of four shares at the subscription price (or eight shares of par value €7 each following the split). Outside of France, this employer

matching contribution has been replaced by shares allocated for free by the Board of Directors in its meeting of 18 March 2008 (see page 240 on this free allocation of shares).

Within the framework of the "leverage" formula, the leverage mechanism offered by the partner bank in certain cases took the form of an allocation of Stock Appreciation Rights (SARs) by the employer. Consequently, the transaction gave rise to a capital increase reserved for Sharing Plus, a company held by the credit institution participating in the offering, at the Company's request, for the implementation of the "leverage" formula in certain countries outside of France. This capital increase bears on the subscription of 256,808 shares of a par value of €14 each, issued at the unit price of €113.93 and representing a par value capital increase amount of €3,595,312 (corresponding to an amount of 513,616 shares at a price of €56.97 each following the par value split).

Alstom Sharing 2009

During fiscal year 2008/09, an employee share purchase scheme called "Alstom Sharing 2009" reserved for Group employees (and former employees) with three months' seniority was offered within the PEG in 22 countries including France through an offer called "Two for One 2009" and a "classic" offer. Approximately 28% of the Group's eligible permanent employees (or approximately 18,400 employees) have subscribed to this capital increase.

On 30 April 2009, the capital increase brought in the subscription of 743,606 shares with a par value of €7 each, corresponding to a capital increase par value amount of €5,205,242 (*i.e.* 0.26% of the share capital as of 31 March 2009) and issued at a price of €30.84 per share, which includes a 20% discount relative to the average of the first prices of the Alstom share during the twenty trading days preceding the fixing of the price. The shares or FCPE units subscribed will remain locked up to 30 June 2014, with the exception of the occurrence of early exit events.

In addition, outside of France, the employer matching contribution offered within the framework of the "Two for One 2009" offering was replaced by a free allocation of shares implemented by the Board of Directors held on 4 May 2009 (see page 240 for information on this free allocation).

The transaction also gave rise, on 30 April 2009, to a capital increase reserved for Sharing Plus, a company held by the credit institution participating in the offering at the Company's request for the implementation of the protection of the subscriber's personal contribution in the "Two for One 2009" offer, in certain countries outside of France which took the form of an allocation of Stock Protection Rights by the employer. This capital increase bears on the subscription of 348,505 shares of a par value of €7 each, issued at the unit price of €30.84, and representing a par value capital increase amount of €2,439,535.

As of 31 March 2014, the Group's employees and former employees hold 1.27% of the Company's share capital, either directly or through a fund ("FCPE") (see page 319).

SUMMARY OF THE OPERATIONS 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 PERFORMED DURING FISCAL YEAR 2013/14

The following transaction has been declared to the AMF by the person concerned:

Notifying person	Financial instrument	Type of transaction	Number of transactions	Value of transactions
G�rard Hauser, Director	Shares	Acquisition	1	�11,987.00
Amparo Moraleda, Director	Shares	Acquisition	2	�24,595.00

RELATED-PARTY AGREEMENTS AND COMMITMENTS

See the Statutory Auditors' special report to the Shareholders' Meeting convened on 1 July 2014 (page 169).

STATUTORY AUDITORS

STATUTORY AUDITORS

PricewaterhouseCoopers Audit

represented by Mr Olivier Lotz
63, rue de Villiers
92200 Neuilly-sur-Seine

Mazars SA

represented by Mr Thierry Colin
61, rue Henri Regnault
92400 Courbevoie

The Statutory Auditors were appointed by the Ordinary General Meeting held on 23 June 2009 for six fiscal years expiring when the Ordinary General Meeting will be called to review the accounts for fiscal year 2014/15.

PricewaterhouseCoopers Audit and Mazars SA belong to the "Compagnie r gionale des Commissaires aux comptes de Versailles".

DEPUTY STATUTORY AUDITORS

Mr Yves Nicolas

Deputy Auditor of PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine

Mr Patrick de Cambourg

Deputy Auditor of Mazars SA
61, rue Henri Regnault
92400 Courbevoie

The deputy Statutory Auditors were appointed by the Ordinary General Meeting held on 23 June 2009 for six fiscal years expiring when the Ordinary General Meeting will be called to review the accounts for fiscal year 2014/15.

STATUTORY AUDITORS' FEES FOR FISCAL YEAR 2013/14

The Statutory Auditors' fees for fiscal year 2013/14 are included under Note 32 to the consolidated financial statements for fiscal year 2013/14.

EXTERNAL AUDIT CHARTER

In March 2010, Alstom and its new Statutory Auditors formalised, following the Audit Committee's approval, the new Audit Charter applicable until 31 March 2015 when the current Statutory Auditors' engagement comes to an end.

This charter defines the Group's external 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.

6

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“Meeting today’s needs without compromising the ability of future generations to meet their own needs” ⁽¹⁾

Tomorrow, about 9 billion people will call the planet home, mostly living in cities. They will need clean and affordable energy and efficient transportation. Current transport and energy infrastructures will need to change to avoid long-term impacts on the environment, health and climate change. All parties involved in economic development are aware of this fact.

Operating at the heart of these issues, Alstom contributes to Sustainable Development through a socially responsible model, first by deploying the means to create the sustainable power generation, transmission and transport technologies of tomorrow, secondly, by integrating environmental and social concerns in all of its business operations and in its interaction with its stakeholders.

SUSTAINABLE DEVELOPMENT AND ALSTOM'S SOCIAL RESPONSIBILITY

ALSTOM'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT: A PROACTIVE POLICY OF CORPORATE SOCIAL RESPONSIBILITY

Addressing global challenges as strategic opportunities

In October 2013, the Intergovernmental Panel on Climate Change (IPCC) demonstrated how human activity is affecting climate. The IPCC report and three more to come, increase the pressure on negotiators to deliver a new global agreement in 2015, starting with the attendees of the COP19 ⁽²⁾ in 2013. Held in Warsaw (Poland), it agreed a roadmap towards a new global climate agreement to be concluded at COP21 in 2015 in Paris (France). It aims to get commitments to reduce carbon emissions, which will drive both regulation and infrastructure investments.

Another cross-border issue calling for international cooperation concerns freshwater resources. While 148 countries share at least one transboundary river basin, rapid urbanisation, climate change and growing food needs put ever-increasing pressure on freshwater resources. To explore key concerns and draw attention to the benefits of cooperation in water management, 2013 was declared “International Year of Water Cooperation” by the United Nations.

It is clear that the world is facing growing environmental and social challenges:

- the world’s population is expected to reach over 9 billion people in 2050. As a consequence, global demand for energy and infrastructure will grow. By 2035, the global energy demand is anticipated to rise by more than one-third, while 60% of the infrastructure which will supply the world’s electricity are yet to be built ⁽³⁾;
- over 70% of the world population will live in urban areas by 2050. Driven by economic growth, mobility will increase; both passenger travel distance and commuting time per capita are expected to double ⁽⁴⁾;
- with demographic and economic growth pushing up greenhouse gas (GHG) emissions and the pressure on natural resources, the climate is substantially changing.

The interaction between energy, environment and development concerns urge each actor to adopt a holistic approach. To make corporate action a change lever, it is essential that Corporate Social Responsibility (CSR) be addressed on a strategic level.

Alstom considers that catching the early warning signs announcing megatrends is a key competitive advantage, driving profitable, long-term growth. In that way, pursuing a CSR policy is therefore critical to anticipate and proactively manage the risks and opportunities they entail.

(1) World Commission on Environment and Development, Brundtland Report 1987.

(2) 19th session of the Conference Of the Parties organised by the United Nations Framework Convention on Climate Change.

(3) World Energy Outlook 2012.

(4) UN World Urbanization Prospects, World Business Council for Sustainable Development.

This cross-cutting approach enables the Group to:

- avoid defensive costs – for instance, linked with a non-compliance with international or local legislations and standards, or with expectations from customers, investors and civil society;
- strengthen its reputation and mobilise its internal human resources;
- generate product and process efficiency gains;
- identify and assess future and emerging markets.

It involves driving progress by staying one step ahead to better grasp all the Group's sustainability concerns. This position gives Alstom the means to define and implement an integrated CSR policy, which was endorsed by the top management and widely communicated inside the company in December 2013. This policy, described hereafter, is available on www.alstom.com.

An integrated Corporate Social Responsibility (CSR) policy

Alstom's strategy is based on three pillars:

- **growth** in new activities and geographies as well as in the development of "service activities";
- **technology**: to be at the forefront of innovative and environmental-friendly products and solutions;
- **operational excellence**: to maximise the value for customers, shareholders and employees, derived from a lean organisation with optimised resources.

Supporting this strategy, Alstom's CSR policy is based around three main axes, guided by quantified and assessed objectives. These objectives are translated into action plans, which create a virtuous circle of progress in economic, social and environmental fields.

Alstom thus strives to:

- **with its technologies and solutions**, help customers effectively limit their environmental impact:
 - support the expansion of renewable energy production,
 - improve resource and energy efficiency in all of its new and existing products,
 - apply sustainable development and eco-design principles;
- **with its partners and stakeholders**, work together for mutual benefit:
 - assess existing and future customers' needs and adapt its offering accordingly,
 - develop a sustainable supply chain,
 - do more to identify environmental and social impacts of projects,
 - involve itself in the life of local communities;
- **with its way of operation**, be a reference to:
 - enforce the highest ethical standards,
 - offer its employees the best safety and working conditions,
 - reduce the environmental footprint of its operations.

The action plans related to this policy are outlined both in the sub-sections related to "Sustainable Development in solutions from the Sectors" and in the sections related to "Environmental performance", "Social performance" and "Relationships with external stakeholders".

The Group commits to implement this policy and ensure compliance with its internal rules across the full range of its operations.

IMPLEMENTING THE CSR POLICY

A dedicated organisation at all levels of the Group

A central team, under the responsibility of the Group Senior Vice-President Strategy and Business Development, defines and monitors the implementation of this CSR policy. It is supported in each Sector by a dedicated team in charge of implementing the Group's policies and setting up programmes related to the Sectors' activity. The aim is to spread the Group's CSR vision throughout the organisation, so that all employees know it, understand it, commit to it and actively take part in it.

Within the Board of Directors, the Ethics, Compliance and Sustainability (ECS) Committee has been closely following the Group's CSR policy and actions since 2010. This Committee, composed of three independent directors, meets three times a year to review and assess the Company's strategy, policies and procedures on topics related to corporate responsibility and sustainable development (see Corporate governance – Chairman's report – Board Committees).

In order to support and reinforce the implementation of the CSR policy at local level, the Group relies on the Alstom International Network, with 56 Country Presidents covering 179 countries. The role of the Country Presidents is to represent the Group locally and to develop relations with local institutions, organisations and communities. In all the Group's main countries of operation, the Country President is assisted by a CSR specialist in connection with the central team.

Evaluation of the CSR policy versus stakeholders' expectations

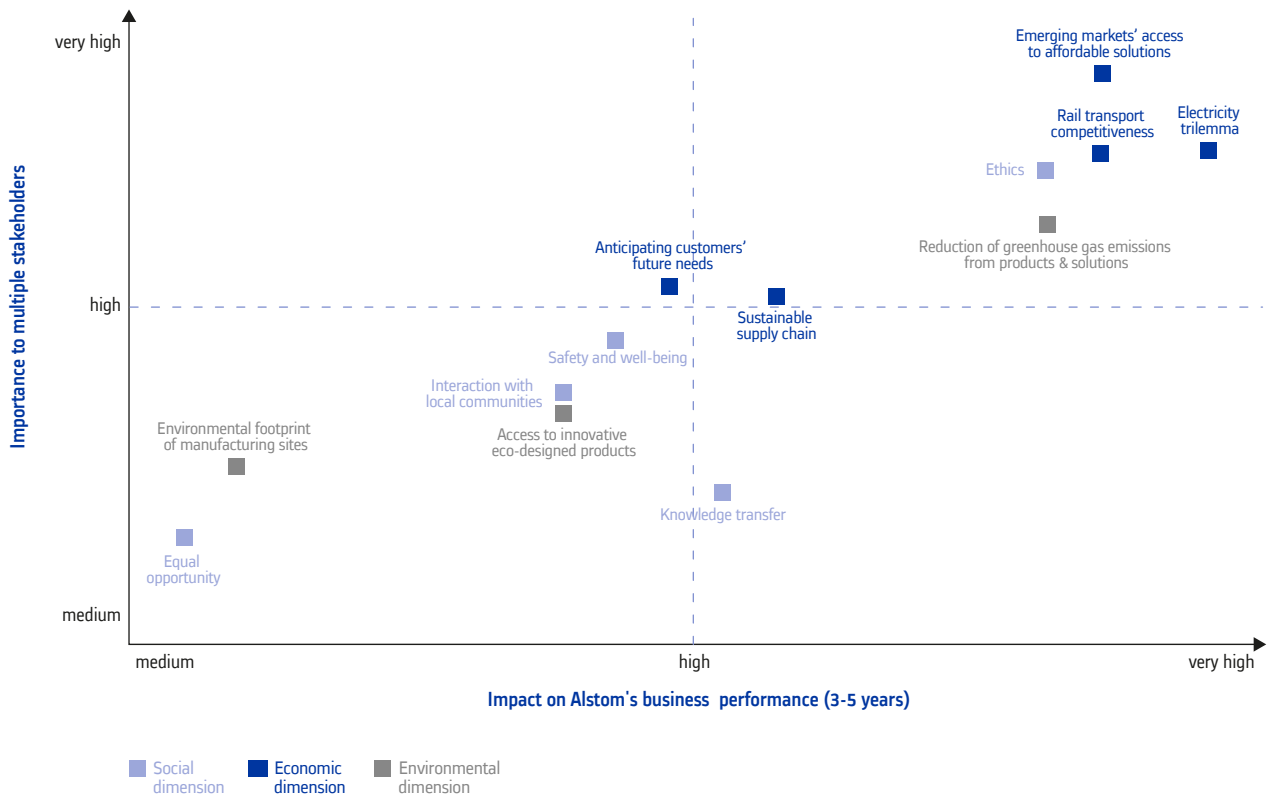
CSR actions by the Group are increasingly expected by:

- its employees (outcome of the opinion survey conducted in 2011);
- its customers (increased use of CSR criteria in tenders);
- public authorities (emergence of new CSR regulations);
- its shareholders and potential investors.

In order to clarify those expectations and to evaluate the appropriateness of Alstom's CSR policy to them, the CSR Department conducted for the first time in 2013/14, a materiality check: out of a large number of sustainable development challenges, the most relevant ones to Alstom's business were selected (13). The importance of these challenges for stakeholders, as Alstom understands it, was weighted using information

gathered from various sources (1). The impact of the same challenges on the Group's business performance over a range of three to five years was evaluated. This assessment was conducted along with the three axes of Alstom's strategy (growth, technology and operational excellence), as well as with the impact on the Group's reputation.

CSR MATERIALITY MATRIX



More details on Alstom's CSR materiality matrix – and the related methodology – are available on www.alstom.com.

Evaluation of the Group's CSR performance by independent third parties

Alstom's Corporate Social Responsibility performance is regularly measured by various rating agencies with different methods and criteria, such as, in 2013, RobecoSAM for DJSI, and CDP (formerly known as 'Carbon Disclosure Project'), as well as Eiris, Vigeo, Empreinte Écosociale and Ecovadis. These assessments help identify and analyse the areas of improvement.

As a result:

- Alstom was selected in September 2013 for the third time in a row as an index component of the Dow Jones Sustainability Indices (DJSI) – World & Europe –, after its assessment by RobecoSAM.

This rating agency attributed the rating of 77/100 to the sustainability performance this year, with a particular good rating on the economic dimension. This year, Alstom distinctly improved in environmental policy, customer relationship management and strategy for emerging markets. The Group also achieved the best score of its industry category on labour practices indicators/human rights and supply chain management;

- since 2010, Alstom has been assessed by CDP for its transparent approach in disclosing climate change information; in December 2013, the Group received a score of 92/B (disclosure/performance). For the second consecutive year, Alstom is ranked as part of the Carbon Disclosure Leadership Index for French companies.

(1) Major sources: assessments by CSR rating agencies, Sectors' customer surveys, internal/external stakeholders' survey, CSR employee opinion survey, etc.

INNOVATION MANAGEMENT

The concept of sustainability has transformed the competitive landscape and the way companies think about products, technologies, processes and business models. Innovation is a major differentiator for the whole economic sphere. Alstom, whose mission is to develop future technologies and systems for power generation and transmission and for rail transport, considers that innovation is one of the lever arms of economic development, in particular by strengthening its strategy in open innovation. Alstom Innovation programme is also a key enabler of the Group's CSR policy number 1 axis: "with Alstom's technologies and solutions...".

In view of this, and despite a difficult economic context, total Research and Development (R&D) efforts across all Sectors amounted to €733 million in 2013/14 (compared to €737 million in 2012/13), nearly 4% of sales.

To reinforce this strategic vision, the Innovation team was established in March 2012, reporting directly to the Chairman and CEO. It aims at stimulating synergies between Sectors and strengthening the connections to the outside in order to expand Alstom's technological portfolio and acquire new skills in emerging domains.

The Innovation strategy has been built at Group level in coordination with all Sectors, complementing their own projects. It is based on the following programmes:

- **"Innovation Management System"** organised into five pillars:
 - the **Innovation Steering Committee** chaired by the Chief Innovation Officer and composed of R&D and Innovation Vice President of each Sector, meets four times a year, to share information related to ongoing projects, to stimulate cross-Sector synergies and to present new opportunities,
 - the **International Science and Technology Committee** chaired by Jean Jouzel, Nobel Peace prize-winner with the Intergovernmental Panel on Climate Change (IPCC), and composed of independent experts, provides advice and comments on Alstom's innovation policy, focusing on state-of-the-art technology, along with worldwide strategies and trends,
 - an **advanced Enterprise Social Network featuring "virtual user" functionalities** breaks down the walls of communication between Sectors, stimulates R&D discussions, leverages potential external R&D and partnerships and is used as a tool to better define R&D and innovation paths,
 - a **Group innovation contest "INove You"** strengthens cross-company collaborative work, creating synergies and nurturing cross-cutting innovation. Over the past years, a number of award-winning projects in this competition have played a role in Alstom's success on the market, demonstrating that innovation equals competitive advantage. In 2013, the sixth innovation awards contest was the biggest success since the programme was launched in 2008 with 510 innovations submitted coming from 1,900 people from all over the world and from all Sectors and functions (R&D, engineering, communication, human resources, EHS and project management). Projects rewarded in the "Green Innovation" category (clean power, clean transmission and clean transport) included:
 - "stay vane Extensions made of composite materials", an advanced retrofit process for stay vane composite extensions that improve hydro plants efficiency significantly,
 - the "district heating with KA26 flexibility" project, an innovative modification of the power plant to harvest energy losses and integrate district heating functionality without increasing the footprint,
- a **track record of international publications and patents** proves that the Company is keeping its leadership in the fields of Energy and Transport. Over the last five years, Alstom has registered more than 1,700 patent families – representing an increase by 30% over the period – by more than 2,300 inventors, showing the diversity and dynamism of Alstom employees. Publications in high-impact journals and conferences are also tracked through the Thomson Reuters database (Web of Science) and more than 1,200 publications have been reported over the last five years, an increase by 30% over the period ;
- **"Science and Technology Reshaping"** encompasses all Sectors under a wide variety of partnerships, alliances and joint ventures to support knowledge progress, new competencies and acquisitions at the forefront of research. Throughout this year, actions have been maintained and expanded such as connections with universities and key research bodies worldwide, or the signing of a new strategic alliance with some of the leading centres in cross-cutting strategic areas such as predictive maintenance, power electronics, embedded software and big data. The programme can be broken down as follows:
 - open innovation is illustrated by the increase in the number of Alstom's bilateral collaborations with universities (more than 180 active projects in 20 countries),
 - participation in public-private research centres through open innovation schemes has been reinforced. Besides Alstom's participation in the MIT industrial liaison committee, IMS centre in Cincinnati University, CPES in Virginia Tech, Electric Power Research Institute (EPRI)/USA, Power Electronics Platform in Germany (ECPE), UK Universities High Voltage Network and Catapult centre programme in the UK, participation in France in public-private projects in the field of smart grids, systems and system of systems, innovative materials and advanced transport (Jules Verne Centre, SystemX Centre, Supergrid Centre, Railenium Research Centre), National Network in Electrochemical Energy Storage (France), new partnerships have been signed with the following objectives:
 - to reinforce Alstom's presence in Asia in terms of innovation and R&D:
 - a joint laboratory with City University of Hong Kong, China, has been launched on Advanced Open Systems for Smart Cities,
 - a joint laboratory is under discussion with another main Asian city in the field of urban systems,

- to reinforce Alstom's presence in the field of digital industries:
 - a joint laboratory has been launched with *Institut national de recherche en informatique et automatique* (INRIA) a research organisation in France with the objective to develop Alstom footprint in the field of digital technologies (power automation and control, cyber security, big data, simulation and optimisation, communication networks, etc.),
 - a strategic alliance is being signed with *École polytechnique fédérale de Lausanne* (EPFL) in Switzerland, on new approaches to analyse and control future electrical grids,
- Alstom has supported new professor chairs at ETH Zurich (Switzerland), University of Witwatersrand (South Africa), King Abdullah University of Science and Technology (KAUST) (Saudi Arabia) in the field of Power, and *Institut National Polytechnique* (INP) of Grenoble (France) in the field of renewables,
- participation in industrial clusters in France has been maintained (Alstom is part of ten competitive clusters) as well as involvement in European collaborative projects. In the USA, partnership with the Department of Energy (DOE) has been developed both in the field of power generation and transmission. In Canada, the partnership with the Quebec research funding agency has been extended in the field of renewables and smart grids;
- **"Alstom Venture Programme"** is related to Alstom's strategy to support innovation eco-systems both in France and abroad, to prepare future partnership networks and be in an ideal position to detect future breakthrough technologies and talents. It is structured on two pillars through participation in a venture capital fund (ASTER) that has a 30 company portfolio and an Incubator/accelerator programme (Horizon GreenTech ventures) to ensure that Alstom is a forefront player in setting up innovation ecosystems in countries with high-innovation potential. This year has been a very dynamic one with four investments completed at ASTER and four start-ups created by Horizon Green tech ventures; furthermore, a new incubator is under discussion in the South Asian region where innovation is very strong;
- the **"Green Product programme"**, Alstom's product stewardship strategy, shows Alstom's strategy with respect to environmental issues together with economic competitiveness. The programme has the following objectives:
 - to position Alstom on the market, recognise and process its customers' and stakeholders' key sustainability requirements and concerns, and its commitment for a responsible management approach that balances the economic, social and environmental values of its existing and new solutions,
 - to offer a concrete portfolio of products, systems and services featuring advanced environmental performances,
 - to set up an efficient methodology at Group level involving innovation, leading to continuous improvement of Alstom products' environmental footprint.

This programme is consolidated at Group level, derived in each Sector according to the market trends and specifications. A governance frame has been set up, defining indicators related to products for each Sector and resulting in a global offering at Group level.

The programme is broken down into two pillars represented by an eco-design methodology and a portfolio of products, systems and services at Group level and broken in the three fields of activities of the Group: power generation, power transmission, rail transportation.

The programme is elaborated in each Sector and coordinated at Group level. It should demonstrate a comprehensive portfolio policy that practically meets the strategic objective of being a relevant actor in the field of sustainable development.

The teams are currently working on developing the qualifying process which aims to:

 - identify key sustainability categories and indicators to evaluate performance through the different life-cycle critical stages,
 - define qualifying criteria for the products that will be integrated in the portfolio,
 - performance evaluation of existing products/systems/services, vs. those criteria,
 - recommendations for future R&D programmes.

The programme is currently in a pilot phase within each field of activity and the first portfolio version is expected at the end of 2014/15.

SUSTAINABLE DEVELOPMENT IN SOLUTIONS FROM THE POWER SECTORS

Today the global population is estimated to exceed 7 billion people and it is expected that this figure will reach 9 billion by 2050 ⁽¹⁾. As a consequence:

- demand for electricity, as a key enabler for economic and societal developments is increasing along a similar trend;
- in addition, high inequalities in the world are leading to heterogeneous electricity distribution and it is estimated that today, 1.5 billion people do not yet have access to electricity ⁽²⁾;
- for social and economic development to be sustainable, delivery of power services needs to be secure and have low environmental impacts. It requires reliable and affordable access to power.

Alstom is committed to being a socially responsible organisation; the Thermal Power and Renewable Power Sectors are applying this commitment to integrate sustainable development in the power markets and countries they serve. This vision was translated in 2009 into a sustainable development strategy and programmes for both Power Sectors, which is evolving so that it always remains ambitious and aligned with internal and external stakeholders' expectations. The strategy is organised around:

- **implementing sustainable operations "Our Own Footprint"**: focusing on Alstom Power Sectors' direct contribution to limiting the environmental footprint of their own operations and by improving social and societal impacts on employees and local communities. Alstom Power Sectors' contribution has been consolidated with the other Sectors' efforts and the results can be found in this Registration Document, chapter 6, under the "Environmental performance" and "Social performance" sections;
- **developing and offering sustainable solutions "Our Product Stewardship"**: recognising and actively managing the life-cycle environmental, economic and social impacts and benefits of Alstom Power Sectors' products and solutions. The aim is to bring value to customers while addressing society and stakeholders' key requirements and expectations in sustainable development. The Power Sectors' "Clean Power, Clear Solutions" offering strategy is the backbone of this initiative currently being implemented.

"Clean Power, Clear Solutions": the Power Sectors' Product Stewardship strategy

Alstom Power Sectors share the perspective of major players, that there is no alternative to an integrated view on the energy trilemma (economic viability, environmental responsibility and security of power supply), in order to enable a sustainable growth path in the global power generation sector.

Alstom's new offering strategy "Clean Power, Clear Solutions", introduced in 2013, is the Power Sector's strategy to serve customers' needs while ultimately fulfilling the need for sustainable solutions along their life cycle:

- **reducing cost of electricity generation**, to ensure assets' competitiveness;
- **lowering environmental footprint**, to lower the life-cycle impact while making these assets increasingly eco-friendly;
- **increasing flexibility and reliability**, to ensure assets can respectively:
 - adapt to fluctuating electricity and fuel markets conditions,
 - generate the required electrical load through maximised availability, reliability, and maintainability.

Implementing the "Product Stewardship" strategy in the Power Sectors

The "Clean Power, Clear Solutions" offering strategy is being implemented in the Power Sectors as a global product stewardship initiative. The different programmes of this initiative are structured around three levels as described in the following sections:

- **product level**: addressing the implementation of "Product Stewardship" into product management and development processes;
- **project level**: integrating the product and offering stewardship perspective into all stages of power project development and implementation processes;
- **portfolio level**: implementing this perspective into portfolio performance management and strategy development processes.

Programmes at Product level

Adapting business/product development processes management to the new initiative

As part of the Thermal Power Sector strategy aiming at improving operational excellence, the business process management system is being revised to accommodate new provisions, including the key elements of the "Clean Power, Clear Solutions" offering strategy. Those product management directives and procedures will become the backbone of product stewardship and will be progressively deployed through all product lines. From product marketing, including "voice of customer" exercises, to product life-cycle management, the Power Sectors will therefore ensure that a special attention to sustainability is embedded in their product management and quality control guidelines.

(1) World Energy Outlook 2012.

(2) Source: "Achieving Universal Energy Access" – United Nations Foundations (unfoundation.org), 2012.

Monitoring key improvements achieved with recent new product introductions

Amongst the main new product introductions, first on the Thermal Power Sector side, the new Circulating Fluidised Bed 660 MW Ultra Super Critical boiler is an example of performance improvement along all three levers of sustainability starting with three points of efficiency gain, leading to reduced fuel consumption, 6% CO₂ savings, and lower cost of electricity. It also includes cutting edge back-end flue gas cleaning systems ensuring lower SO_x and NO_x emissions and a reduced environmental footprint. Finally, its high efficiency cyclones design ensures optimal fuel flexibility.

The new MXL2 gas turbine upgrade package is another successful example offering a full sustainability improvement scope. With 1% efficiency gain on installed GT13E gas turbines, this new offering leads to reduced cost and CO₂ emissions, while increasing service intervals by one-third, contributing also to significantly lower operating costs and improving both availability and power dispatch security.

The new Last Stage Blade (LSB) LP75 (75") designed for the nuclear steam turbines is cutting exhaust losses by 20% and allowing 10 MW improved output. This reduces cost, reduces fuel utilisation and downstream waste management, and increases turbine flexibility by raising its power range span.

On the Renewable Sector side, in the Wind business a significant milestone has been reached with the new 6 MW Haliade™ 150 wind turbine installed offshore in November 2013. This turbine is the biggest of its class ever installed and offers a 15% increase in annual energy production compared to its competitors, while the patented PURE TORQUE® and its direct drive technology guarantees high reliability.

Progress was also achieved in the Hydro business through the "Pit Stop" approach: shortening the outage time by 75%; on the environmental front, since 100% oil-free operations can be implemented (bearing, hub, bushing); finally on reliability and availability, thanks to the expertise built on 6,000 assessments carried out on over 2,000 generators worldwide. Such service and retrofit offering allow Alstom to support customers to reduce the total cost of ownership.

Further integrating life-cycle impact assessment into product development and management

The Aveny Life Cycle Assessment (LCA) software has been developed to be user friendly and to be adapted specifically to power generation equipment. Tools and processes have now been tested in all businesses on at least one core product. This testing phase confirmed the compatibility of the approach (tool, methodology, deliverables) with the various pieces of equipment.

This validation was a necessary step to enable the integration of the LCA process in the detailed innovation process of the Power Sectors. It will ensure that all new products have their LCA done and improvements will be measurable.

Among the different Life Cycle Impact Assessments (LCIA) methodologies available in the software, impacts have to be assessed with at least two main universal methods in Alstom Power Sectors: IPCC⁽¹⁾ (2007) for impact on climate change and ReCiPe for impacts on the ecosystem, resources and health. For example:

- in the Thermal Power Sector:
 - in addition to previous Life Cycle Assessments, the ARABELLE™ 1000 steam turbine for nuclear power stations was assessed as well as Electrostatic precipitators. These first assessments will serve as reference for future LCA to be developed. However, it already identifies some improvement areas such as the increase of secondary resources used, work on material mass or increased waste recovery;
- in the Renewable Power Sector:
 - in the Wind business, two of the three most recent platforms were assessed: the ECO 100 platform for the up to 3 MW-rated wind turbines and the wind off-shore platform concerning wind turbines producing 6 MW (Haliade™ 150);
 - in the Hydro business, preliminary studies were conducted on Francis turbines which represent about 60% of the hydro turbine world market.

Programmes at Project execution level

The Hydro business, for instance, promotes sustainability in hydro power implementation through its commitments to the Hydro Equipment Association (HEA)⁽²⁾ and its promotion of the Hydropower Sustainability Assessment Protocol⁽³⁾. This tool is an enhanced sustainability assessment tool encouraging best practices in Hydro development projects, used to assess four main stages of hydro power development and guide performance in the hydro power sector. Alstom's efforts focus on propagating the wide application of the Protocol to encourage global recognition and develop the capacity of key internal staff to use the Protocol.

The International Hydropower Association conducted an assessment⁽⁴⁾ of EDF's largest new installation project in France (Romanche Gavet, 94 MW), comprising Alstom equipment (turbines, generators, excitation system and valves) from May to July 2013. Based on the Hydropower Sustainability Assessment Protocol, the findings of this assessment reflect very high performance topics and criteria. EDF and its partners meet this high level of performance through a combination of EDF's corporate management systems, careful compliance with applicable legal requirements, and an open-working relationship between the EDF project office and the local community. Alstom actively participates with EDF in the development of EHS best practices on the construction site.

(1) IPCC: Intergovernmental panel on climate change.

(2) Alstom is a founding member of the HEA, which represents electro-mechanical equipment suppliers for hydropower globally. HEA embraces sustainability in hydro-power projects and has long favoured best practice in hydro projects by strongly supporting the International Hydropower Association (IHA), which promotes the Hydropower Sustainability Assessment Protocol.

(3) This protocol is the result of intensive work by a multi-stakeholder body with representatives from social and environmental NGOs, governments, commercial and development banks and the hydropower sector.

(4) For more information, please refer to the official assessment report, downloadable from: <http://www.hydrosustainability.org/Protocol-Assessments.aspx>.

Since 2013, Alstom has been progressing on a more extensive internal approach to anticipate and assess the environmental and social impacts of projects, through the design of internal tools and the integration of new routines in internal processes covering all aspects of operations from pre-tender phase to project execution. Alstom is currently doing a test-run on a few projects of one of its businesses; the aim is to develop the tool and extend it to all projects, giving priority to those involving high environmental and social risks.

Programmes at Portfolio level

Although Alstom Power Sectors believe that reducing environmental impact can be achieved at each step of product life cycle, the various assessments undertaken confirm that the main sustainability challenges and opportunities for a power generation OEM are associated with the use of the equipment, when operated by customers. The following sections provide an overview of key programmes on-going at portfolio level, which manage the performance of the existing offerings in addressing customers' key sustainability challenges.

Contribution of Alstom's offering to tackle climate change

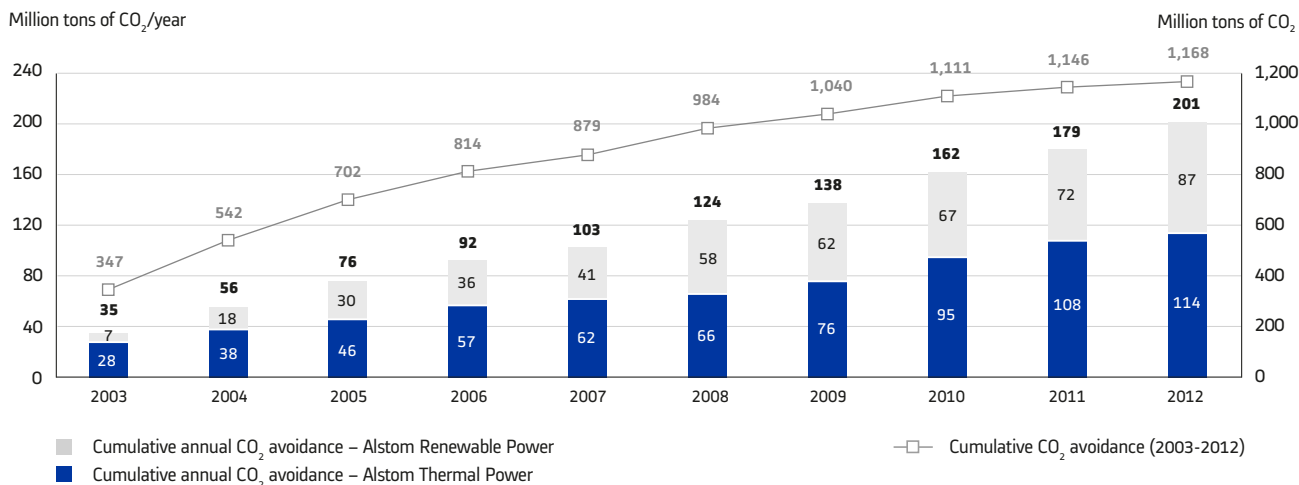
Energy related CO₂ emissions continued to increase between 2007 and 2011 by 8% with a steady share of emissions from power generation at 42%⁽¹⁾. The energy and particularly the power generation sector is key to achieving lower stabilisation levels of atmospheric CO₂ concentrations and reducing the risks of more severe impacts of climate change⁽²⁾.

Since 2010, Alstom Power Sectors have continuously assessed their portfolio contribution to enabling CO₂ emission reduction for their customers⁽³⁾. Based on the international standard "GHG Protocol", the Alstom assessment approach offers a unique worldwide database on Operating and Build Margin emission factors reflecting the yearly evolution of CO₂ emissions under a business-as-usual scenario at country level since 2002. The latest assessment (in 2013) covers relevant projects commissioned in 2012 and provides an overview of the achievements of the most recent 10 years (2003 to 2012)⁽⁴⁾.

As for previous years, the results have been verified by PricewaterhouseCoopers Audit in accordance with the ISO 14064-3 standard. The corresponding "Reasonable Assessment Report" on 2012 projects, issued in March 2014, is available from Alstom Power Sectors.

For more than 1,500 new build and service projects completed, power plant owners were able to reduce a cumulative figure of 1.2 gigatons of CO₂ emissions over 2003-2012. On a yearly basis, plant owners were able to reduce a cumulative figure of over 200 million tons of CO₂ by the end of 2012, resulting in a Compound Annual Growth Rate (CAGR) of 22% (33% for Renewable Power and 17% for Thermal Power projects) over the period of analysis. The study proves that all fuels and technologies of the Power Sectors' portfolio can contribute to emission reduction. Only 6% of the projects accounted for (92 projects) are non-contributing and considered as business-as-usual.

CUMULATIVE ANNUAL AND TOTAL CO₂ AVOIDANCE FOR THE GLOBAL POWER GENERATION SECTOR ACHIEVED WITH THE OPERATION OF THERMAL POWER & RENEWABLE POWER OFFERINGS COMMISSIONED BETWEEN 2003 AND 2012 (BASED ON FIRST YEAR OF OPERATION VALUES)



Source: Alstom

(1) Alstom estimations based on data provided by the International Energy Agency (IEA).

(2) According to the IEA World Energy Outlook (IEA WEO) 2013, carbon intensity of the power generation sector is estimated to fall from 586 kg/MWh in 2011 to 409 kg/MWh in 2035 under the "New policies Scenario" (vs. 480 kg/MWh in the "Current Policy", business-as-usual scenario). However, an average of 156 kg/MWh would be required by 2035 to enable a plausible path to the 2°C climate stabilisation target ("450 Scenario").

(3) For more details on the Alstom Power Sectors' CO₂ emission reduction quantification approach, please refer to the Alstom registration documents 2011/12 & 2012/13 and to www.alstom.com.

(4) Compared to the previous year's assessment (2012) covering projects completed between 2002 and 2011, projects completed in 2002 are no longer considered in this assessment. Alstom is taking a conservative approach while considering only emission reduction contributions from the first ten years of operation. Although international carbon market standards (such as the Clean Development Mechanism) allow a revision of the baseline after a 1st crediting period (7 to 10 years after start of operation), the Alstom approach considers these projects becoming a part the baseline of their corresponding electricity grid after the first 10 operational years.

The accounted portfolio CO₂ emissions intensity ⁽¹⁾ is estimated at 391 kg per MWh for new equipment and at 481 kg/MWh for all projects. Thanks to Alstom's progress on increasing the share of economically viable low and CO₂-free offerings and on improving the electricity generation efficiency of thermal power solutions, this figure is 18% below the global average of power generation in 2011 ⁽²⁾ (586 kg/MWh). Compared to the global power generation emission intensity by the end of 2002, the Alstom enabled path is equivalent to a compound annual emission intensity reduction of 2.2%. This yearly reduction rate is even higher than the one estimated by the IEA under the "New Policies Scenario" (1.5%) over 2012-2035 ⁽³⁾.

Contribution of Alstom's offering to conserve water resources

Population and economic growth are expected to increase competition for finite water resources across sectors. According to the IEA ⁽⁴⁾, water withdrawal in the energy sector would increase by about 20% between 2010 and 2035, but consumption by more than 85%. Particularly for power generation, the availability of the required water quantity and quality will also be challenged by many climate change impacts such as increasing air and water temperature, extreme weather, rising sea levels and more recurring and longer droughts. In order to support its customers to address their regional and site specific water needs, Alstom offers a wide range of solutions which allow it to ⁽⁵⁾:

- **reduce water dependency and adapt to changes in water availability:** with a diversified portfolio of power generation technologies reducing the need for and the impact of water withdrawal from externalising sources. The Power Sectors' portfolio also enables it to deal with long-term climate change impact uncertainty and seasonal changes in water availability;
- **enhance water use efficiency:** with solutions to reduce the net consumption rate of high-quality water during plant operations;
- **lower the impact on water quality:** with solutions to control the thermal and chemical impact of operational discharge on the quality of surrounding water resources.

This commitment is based on many dedicated and comprehensive R&D programmes aiming at:

- providing an Alstom technical water dependency and use baseline for different types of power plants;

- identifying key water use improvement areas and;
- evaluating the most promising advanced technologies and developing future water solutions.

Building on these technical opportunities, Alstom is also actively engaged with key stakeholders towards an effective management of the water-energy nexus. In early 2014, Alstom was invited by the World Bank to launch the "Thirsty Energy Initiative" and to join the associated "Private Sector Reference Group".

Contribution of Alstom's offering to mitigate air pollution from fossil-fuel use

Clean water and clean air are essential to sustainable development and improved quality of life. The global power generation sector (and particularly fuel combustion in boilers) is a major source of air pollutants ⁽⁶⁾, since it is – and will continue to be – dominated by the use of fossil fuels through 2035 ⁽⁷⁾. Among all harmful air toxics, four types of air pollutants are commonly considered to be of notorious significance for air quality: Particulate Matter (PM), Sulphur Oxides (SO_x), Nitrogen Oxides (NO_x), and heavy metals represented by Mercury (Hg).

With over 80 years of experience, Alstom is the market leading supplier of Air Quality Control Systems (AQCS). In order to assess the contribution of these solutions in mitigating air pollution, in 2013 Alstom developed and implemented a new credible and third-party verifiable methodology ⁽⁸⁾. For this first-year quantification cycle, the approach focuses on NO_x and SO₂ emissions avoided for electric utilities and for society at large from the operation of AQCS commissioned by Alstom over the last ten years (2003–2012) for new and existing boiler-based steam power plants. Air pollutants avoidance is estimated through quantifying and comparing the power plant emission rate to the emission rate without operating the equipment (estimated amount of air pollution removal) and to the emission rate of the corresponding electricity grid at the start of equipment commercial operation (estimated amount of air pollution reduction).

The approach applied and the results were verified by a PricewaterhouseCoopers audit. The corresponding "Reasonable Assurance Report" was issued in March 2014. It is available from the Alstom Thermal Power Sector.

(1) Estimated as electricity generation weighted average.

(2) According to the IEA WEO 2013.

(3) This compound annual emission intensity reduction is estimated based on data provided by IEA WEO 2013 where the emission intensity of global generation drops from 586 kg/MWh in 2011 to 409 kg/MWh in 2035 under the "New Policies Scenario".

(4) IEA (International Energy Agency) – World Energy Outlook 2012 ("New Policies Scenario").

(5) For more details on the Alstom Power Sectors' approach to the water challenge of global power generation, please refer to www.alstom.com.

(6) As in the US, and despite the progress made in regulating and limiting air emissions from power plants since the introduction of the "Clean Air Act" in the 1990s (almost 80% decrease of NO_x and SO₂ emissions per MWh produced from contributing sources between 1995 and 2012), power plants still contribute to 13% of NO_x, 60% of SO₂ and 50% of mercury total air emissions (US Environmental Protection Agency, 2014).

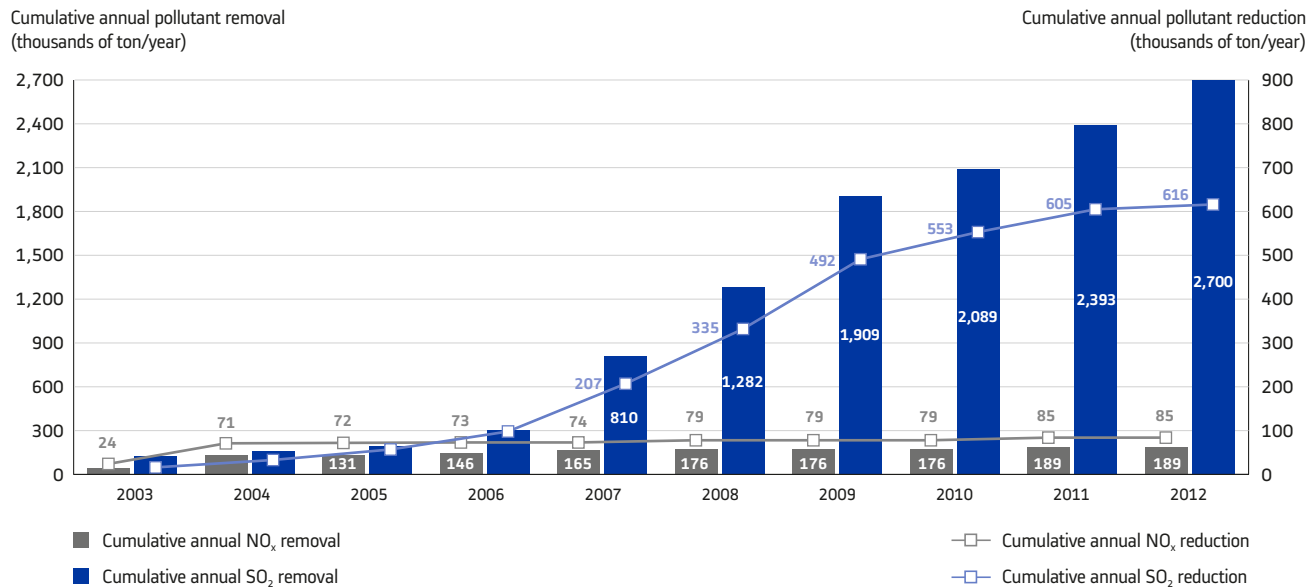
(7) According to the International Energy Agency World Energy Outlook (IEA WEO, 2013), the share of electricity generation from fossil fuel sources is estimated at 68% in 2011 vs. 57% in 2035 for the New Policies Scenario.

(8) For more detailed information on the methodological approach, please refer to www.alstom.com.

42 Selective Catalytic Reduction Systems (SCR for NO_x/NO₂) and 96 Flue Gas Desulphurisation Systems (FGD for SO₂) have started commercial operation in 18 countries over the 10 years of analysis. By the end of 2012, the equipment owners were able to remove a cumulative amount of 189,000 tons of NO_x and 2.7 million tons of SO₂ per year. Thanks to the high removal efficiency rates up to 92% on NO_x and 99.5% on SO₂, the annual cumulative amount of NO_x emissions removed is equivalent

to the total yearly power generation emissions from Germany or Spain in 2011⁽¹⁾. The annual cumulative yearly SO₂ removal is 20% more than the total yearly power generation SO₂ emissions of the 28 EU member states in 2011⁽¹⁾ and it is equivalent to 83% of the USA power generation SO₂ emissions in 2012⁽²⁾.

CUMULATIVE ANNUAL NO_x/SO₂ REMOVAL AND REDUCTION ACHIEVED FROM THE OPERATION OF AIR QUALITY CONTROL SYSTEM OFFERINGS COMMISSIONED BETWEEN 2003 AND 2012 (BASED ON FIRST YEAR OF OPERATION VALUES)



Source: Alstom

Note:

- cumulative annual removal: quantity of air pollutant removed thanks to AQCS equipment,
- cumulative annual reduction: reduction in air pollutant emission compared to the emission rate of the corresponding electricity grid.

The impact on emission reductions is estimated for the top three regions (USA, Europe and China) in terms of the total accounted Alstom capacity over 2003-2012, covering 100% of the total installed capacity for NO_x and more than 85% for SO₂. Compared to the emission rates of their respective electricity grids, Alstom-equipped power plants let to a cumulative annual reduction of 85,000 tons of NO_x and 616,000 tons of SO₂ by the end of 2012. The reduced NO_x emissions are equivalent to 36% of the yearly emissions from passenger cars in France⁽³⁾ during 2011.

The cumulative annual SO₂ reduction is comparable to the total SO₂ emissions from electricity production in fossil-fuel intensive countries such as Poland and Bulgaria combined in 2011⁽⁴⁾.

A generation-weighted average (remaining) emission rate of 0.44 kg/MWh for NO_x and 0.73 kg/MWh for SO₂ is estimated for all 138 projects. These rates are even 24% and 36% respectively below the average emission rates of all emitting electricity sources in the USA in 2012⁽⁵⁾⁽⁶⁾.

(1) According to the European Pollutant Release and Transfer Register (Nov. 2013).

(2) According to US Environmental Protection Agency (EPA) Air Market Program Data (Nov. 2013).

(3) According to the European Environment Protection Agency Air Pollutant Emission Data Viewer (Jan. 2014).

(4) According to the European Pollutant Release and Transfer Register (Nov. 2013).

(5) Estimated based on data provided by the US Environmental Protection Agency and ENERDATA (Dec. 2013).

(6) USA being a country with a long history in regulating air pollution (back to the early 1990s with the introduction of the "Clean Air Act") and with the highest abatement rates over the last 5 years (2008-2012): -13.6% compounded annual reduction rate on NO_x emissions and -18.8% on SO₂ emissions from the electric power sector (according to data provided by US EIA in 2013).

SUSTAINABLE DEVELOPMENT IN SOLUTIONS FROM THE GRID SECTOR

The energy industry is facing new and complex challenges: by 2035, global electricity demand will have increased by 33%, renewable energy production will account for almost 1/3 of total electricity output and electricity prices will have risen by 15% compared to now. Currently 1.3 billion people still lack access to electricity⁽¹⁾. Some countries have set targets to improve their energy efficiency, and the ageing infrastructure will have to be replaced⁽²⁾.

The Grid Sector faces specific energy challenges. For instance:

- electricity is the fastest growing component of global energy demand, with electricity consumption expected to increase by 115% to 150% between 2007 and 2050, depending on the scenario⁽³⁾. However, 8% of all generated energy is lost during transmission⁽⁴⁾ and integrating intermittent renewable energy, such as wind and sun to the grid affects its stability. Moreover, in large countries, like China and India, where energy demand is sharply rising, thousands of kilometres can separate power generation units from customers. Now more pressing than ever, the global power grid must be reliable, efficient, and minimise energy losses and environmental impact;
- it must also integrate intermittent renewable energy sources without sacrificing grid stability, while managing rising energy consumption and related demand peaks in a sustainable way;
- there is also increasing concern in the electrical industry about the use of SF₆ for electrical equipment isolation due to its significant global warming properties. However, the use of SF₆ is essential to the high voltage grid sector due to its particular dielectric, breaking and insulation characteristics. SF₆ gas insulated substation (GIS) are more compact than air-insulated substation (AIS), and as such can be built closer to consumers, reducing network transmission losses, the major contributor to the total global warming potential of the entire system (or electrical grid). For the time-being, no alternative solution exists on the market.

Sustainable products, solutions and services

The Grid Sector's environmental-friendly solutions facilitate the integration of renewable energies into the grid, energy efficiency and reduction of CO₂ emissions. The Grid Sector is a leader in the new and highly competitive market of "Smart Solutions," including the Smart Grid, the Supergrid and the integration of renewable energies into the grid.

The Smart Grid

Worldwide, power grid infrastructures are evolving to adapt to aforementioned challenges: rising energy demand, need for integration of intermittent renewable energy sources, and increasing regional grid interconnections. Energy markets are increasingly deregulated and consumers are becoming more proactive in managing their electricity use. Smart Grids address these challenges and market evolutions: improved network efficiency, capacity and stability, which facilitate the development of a cleaner, more sustainable and cost-efficient energy supply.

The Grid Sector is at the fore of this transformation with a portfolio of key Smart Grid technologies: smart control rooms, smart power electronics and digital substation solutions. These systems, installed with major operators worldwide, are capable of tracking electricity supply and demand in real-time and optimally dispatching power, reducing CO₂ emissions associated with unnecessary energy generation. Moreover, Smart Grids enable utilities to control the exact operating conditions of their assets in real time. These operating conditions may greatly exceed the asset's design values; consequently, online asset monitoring helps customers operate their assets closer to the limit, allowing them greater flexibility and postponement of certain upgrade investments.

The Grid Sector is also a leader in smart city pilot projects, transforming existing or future urban districts into self-sustaining eco-cities. Examples include IssyGrid and Nice Grid in France and the Philadelphia Docks in the USA. These "microgrid" projects use smart control rooms to monitor and manage urban distributed energy resources, including smart buildings, electric vehicles, storage installations, demand response programs, local micro-generation, and smart meters. With these technologies, proactive consumers can monitor their energy consumption in real-time and to adjust their energy use as necessary.

At NiceGrid, the Grid Sector integrated Alstom Network Energy Manager (NEM), the smart energy management solution which optimises the full range of local energy resources available to the solar district of Carros in real time. Alstom also integrated its megawatt storage solution MaxSine™ eStorage converter to enable the French distribution utility ErDF to benefit from a 1 MWh storage capacity at the primary substation, supplying stable, reliable and clean power for a better managed grid.

(1) Source: "Achieving Universal Energy Access" – United Nations Foundations (unfoundation.org), 2012.

(2) Source: International Energy Agency 2012.

(3) Source: International Energy Agency 2010.

(4) Source: World Bank 2010.

The Supergrid

The second sustainable grid transformation is the development of the Supergrid, a high-efficiency power grid which interconnects national energy networks across regions and continents. These energy-efficient highways can transmit bulk-power over long distances and integrate large amounts of renewable energy sources. This is an important transformation as long-distance connections are the best way to connect remote energy production sites to dense urban centres; as such, it is also the best way to integrate offshore wind farms far from the coast.

The interconnections between national grids allow utilities to export energy to neighbouring markets, reduce the costs of energy production and transmission, and improve grid stability.

Supergrid solutions offer various environmental benefits:

- integration of distant large-scale renewable energy sources (hydro, wind or solar) via High Voltage Direct Current (HVDC) which transmits electricity with only 3% energy loss vs. 6% for the traditional Alternative Current (AC);
- power generation installed capacity reduction due to shared reserves between interconnected regions.

For example, Alstom was selected for the DolWin3 project in 2013 to connect the wind farm cluster in the North Sea to Germany's national grid. This strategic project increases Germany's renewable energy use while reducing fossil fuel dependency and greenhouse gas emissions. Alstom will use its HVDC solution to connect and transport this electricity from wind over 80 km to the onshore grid.

Another example is Rio Madeira, a strategic energy project for Brazil, as the country is ranking number 2 in hydroelectric capacity in the world. By constructing a 10 GW hydroelectric plant in the Amazon basin and transporting two-thirds of the energy produced to the south-east populated areas around São Paulo, it contributes to the economic development of the Amazon area as well as the populated urban region, while reducing Brazil's oil dependency and its GHG emissions.

Integration of wind and solar energy

Integrating increasing renewable energy sources into the grid is a priority for many countries, including the European Union and China. The Grid Sector has become one of the utilities' preferred partners in this field, with solutions for renewable energy integration including smart control room expertise and Direct Current (DC) connection.

Alstom provides intelligent software solutions, *i.e.* network management systems to manage intermittent electricity flows, transmission and

distribution levels. The Renewable Desk (for transmission networks) and the Distributed Energy Resources Management System (DERMS), for instance monitor in real-time and integrate wind and solar-sourced energy with the base load – that is, the amount of power needed to meet minimum customer demands. These intelligent systems pave the way for renewable fleet management network protection and control. Smart online stability solutions help to avoid perturbations while integrating the renewable power flow into the grid.

The Grid Sector also offers a range of wind farms power transmission solutions compliant with feasibility studies, power connection design and power compensation solutions. Floating offshore electrical substations are provided to bring the grid closer to offshore wind turbines. Grid's first offshore substations were installed in the UK, and the North and Baltic seas off the German and Danish coasts. For the efficient transmission of offshore wind energy to the onshore grid, Alstom has developed HVDC MaxSine™ – a Voltage Source Converter (VSC) ideal for offshore wind integration due to its small footprint, and ability to carry power efficiently across distances above 50 km.

Green Services

The Grid Sector offers innovative and high quality service to optimise electrical infrastructure, heighten equipment return-on-investment and prolong asset service life.

Service solutions provide lifetime support on high voltage distribution equipment or entire networks, from inspections and tests to minor or major maintenance and repair work, in order to increase infrastructure reliability. Renovation, modernisation and extension services improve performance and resolve obsolescence issues. Equipment that is maintained throughout its lifecycle, replaced or updated as needed to keep pace with environmental standard is operates efficiently with less waste. The Grid Sector offers a wide range of consulting solutions to proactively ensure better, more energy-efficient performance.

The Grid Sector also offers green services to help customers reduce their environmental footprint throughout their equipment ownership, including SF₆ management (handling training and certification, top-up, quality check, recycling, leak detection and repair, and mobile decontamination workshop), vegetable oil as a replacement for mineral oil in transformers, and equipment decommissioning, refurbishing and recycling. Cost-efficient, these services help customers comply with environmental regulations, reduce SF₆ emissions, pollution and industrial waste, and improve their safety conditions by relying on Grid Sector experts and experienced field technicians.

Sustainable production methods: environmental-friendly product design and life-cycle assessment

Eco-design takes into account sustainability to minimise environmental impact at every stage of a product's lifecycle. The Grid Sector's eco-design process relies on the IEC 62430 standard, specifying the norms and procedures used to integrate environmental factors into product conception, development, and materials. The Grid Sector offers eco-design training to its product designers.

Eco-design uses the Life-Cycle Assessment (LCA) approach: to evaluate the environmental impacts of a product at every stage of its life cycle: raw materials, manufacturing (the reduction of natural resources in the components); product operations (lower CO₂ emissions, limits on environmental risks, greater energy efficiency, etc.) and end of life (product recycling capabilities). The LCA allows Grid R&D to precisely identify the processes and phases with the greatest environmental impact, and highlight priority areas for design improvement. Using the LCA methodology, Grid Sector has improved the environmental impact of an increasing number of its products resulting in the creation of product environmental profiles.

New Grid solutions thus provide significant environmental improvements compared to the previous versions, and respect international and local environmental regulations as well as Alstom's Environment, Health and Safety (EHS) rules.

As an example, the development of the SF₆-free circuit breaker up to 72,5 kV based on vacuum switches lowers overall environmental impact by 12% (for indicator such as global warming, ozone depletion, human toxicity, etc.). Moreover, the CO₂ equivalent of the new SF₆-free circuit breaker design is reduced by 26%.

Furthermore, the Grid Sector is also working actively on identifying alternative technologies with the same characteristics as SF₆ but with a reduced environmental impact.

Eco-design also helped to assess the environmental impact of a full 300 kV DC station based on the Alstom's HVDC MaxSine™ technology.

As for other Sectors, relationships with other stakeholders (such as customers, suppliers, external bodies) and local communities are part of the Grid Sector's sustainable development strategy. For more information, please refer to information provided in the section "Relationship with external stakeholders".

SUSTAINABLE DEVELOPMENT IN SOLUTIONS FROM THE TRANSPORT SECTOR

Worldwide demand for mobility is growing steadily in connection with demographic changes, urbanisation and economic development. Between now and 2050, the worldwide population is expected to reach 9 billion inhabitants, 8 billion of whom will live in non-OECD countries. In these countries, the demand for all modes of passenger transport combined could thus triple by comparison with 2010⁽¹⁾. Public authorities everywhere are concerned about the environmental impacts of road transport due to factors such as traffic jams, air pollution and depletion of energy resources. The benefits of rail transport in terms of air pollution, use of space, safety, energy efficiency and CO₂ emissions⁽²⁾ make it a true sustainable alternative.

Alstom designs and delivers comprehensive, efficient and sustainable railway systems for the benefit of all its stakeholders: rail operators, public authorities and passengers. By continuously improving the environmental performance of its solutions, Alstom also strives to reinforce their attractiveness while reducing their lifecycle cost.

Solutions for sustainable mobility

Smart transport systems should be fluid, efficient, eco-friendly, safe, connected and accessible. Alstom develops rail transport solutions which meet the social and environmental challenges of mobility.

Efficiency at the heart of the city

Throughout the world, tramway networks are an attractive solution for cities seeking a new mode of sustainable transport. They offer high capacity with long-term reliability and the potential for significant growth in order to accommodate future developments.

(1) Source: "Transport outlook – Seamless Transport for Greener Growth" – International Transport Forum – 2012.

(2) Source: "High Speed Rail – Fast Track to Sustainable Mobility" – UIC.

Alstom has now commissioned the 1,500th CITADIS™ tramset in Paris (France). With more than 6 billion passengers carried, it is estimated that the CITADIS™ range has allowed around 5 million tonnes of CO₂ emissions to be avoided up until now. All the tramsets provide a maximum level of comfort and fluidity, and guarantee easy access. With their customised livery and interior layouts, ground level power supply and vegetal cover on the tracks, these tramways are fully integrated into their surroundings.

Capitalising on its experience, dialogue with customers and analysis of the passenger experience, Alstom is developing its tramway range even further: improving passenger flow thanks to double doors, and optimising the traction system to lower energy consumption and reduce lifecycle costs.

Alstom is the only manufacturer with a complete range of catenary-less power-supply solutions for tramways that can meet the needs of all its customers. Features include a ground power-supply system (APS), the only service-proven technology eliminating the need for an overhead wire over an unlimited distance; and on-board batteries or super-capacitors for autonomous operation over short distances.

For example, in Rio de Janeiro (Brazil) for the Porto Maravilha project, the chosen solution combines APS and on-board super-capacitors to cover areas without an electricity supply.

In addition, a fly-wheel energy storage system made from composite materials is undergoing extensive tests at the Tarbes site (France) under an exclusive partnership with Williams Hybrid Power.

Metros provide an effective and balanced solution for high-capacity urban transport, with minimum space use and low environmental impact. Thanks to minimum local air emissions, metro networks actively contribute to improving air quality in city centres. Through turnkey projects involving its METROPOLIS™ range of trains and URBALIS™ signalling solutions, Alstom offers complex transport systems for reliable, seamless mobility and optimised ownership costs.

Alstom's URBALIS™ signalling solutions provide automatic control of train movement and safer traffic management. They also enable transport operators to increase network capacity by operating more trains on the same infrastructure, which optimises environmental impacts. URBALIS™ Fluence, the most recent development in the range, has even more integrated on-board intelligence, leading to a 20% reduction in equipment and up to 30% overall energy savings thanks to optimised operations. URBALIS™ Fluence is currently being implemented in the project to renew the French city of Lille's driverless Line 1 metro.

In 2013, Alstom also launched AXONIS™, a new light metro system which is economical, quick to build and fits smoothly into the cityscape. This system is particularly designed for cities with high population density and rapid expansion.

Aware that energy can represent up to 20% of operating costs, operators are paying increasing attention to the energy efficiency of the systems they purchase. The HESOP™ reversible substation developed by Alstom for urban networks enables almost all electrical energy recoverable from trains equipped with regenerative braking systems to be fed back into the grid. Italy's Milan-Desio-Seregno suburban tramway line will soon be equipped with eight HESOP™ substations for *Cooperativa Muratori e Cementisti* (CMC).

Building on its success in turnkey projects, Alstom will also provide Riyadh (Saudi Arabia) with its fully integrated metro solution to equip the city's three new lines. The solution combines Alstom's most efficient metro sub-systems: the METROPOLIS™ range of rolling stock, URBALIS™ signalling, HESOP™ energy recovery system and APPITRACK™ automated track laying technology which makes it possible to install tracks four times faster than with traditional methods, and ensures efficient installation while reducing works related disturbances.

For the long daily journeys within expanding suburban areas, Alstom also offers comfortable and reliable high-capacity public transport solutions. Its suburban trains (X'TRAPOLIS™) and tram-trains (CITADIS™ Dualis and CITADIS Spirit™), in service on urban networks and main lines, form an essential link in the intermodal system.

Regional transport for day-to-day travel

Regional trains connect territories and contribute to their economic growth. They provide daily commuting services between new urban areas. The needs they fulfil are as diverse as the areas they serve: high capacity and service frequency, high-speed travel for longer distances, modularity, extreme weather conditions, etc. With its CORADIA™ range, Alstom offers a range of solutions to give a very wide choice of technical configurations to meet all these needs.

The Regiolis version of the CORADIA™ Polyvalent platform has a high-performance environmental profile: good energy efficiency via an adjustable ventilation system to optimise air flows outside peak hours, optimised sleep modes, a specific approach to favour the use of clean, recyclable materials, and good performance in terms of external noise emissions.

The new CORADIA™ Lint, for the Cologne diesel network in Germany, launched in January 2014, is fitted with diesel engines that have catalytic converters to treat exhaust gases in order to comply with stage IIIB European regulations for non-road diesel engines. The new architecture also allows one engine to be switched off when full power is not needed, thus achieving up to 10% fuel savings.

High-speed rail linking regions

Contributing to making rail competitive compared with air and road transport is one of Alstom's strategic priorities as it strives to provide the most attractive solutions.

Alstom has sold more than 720 very high-speed trains, which gives it unrivalled experience in this market. The two products in its current range draw on the best of this expertise:

- the Euroduplex is the only double-decker very high-speed train which is fully interoperable within Europe. It has been in service since December 2013 on the new Paris (France)-Barcelona (Spain) line opened by SNCF and RENFE. This is the 16th border to be crossed by Alstom's high-speed fleets;
- the AGV™ combines articulated architecture with distributed power. It was designed with a strong focus on weight reduction and aerodynamic drag optimisation, which contributes to its very good energy-efficiency performance: its global energy consumption is around 20% lower than that of competitors' trains.

In this market segment, passenger comfort is key. Spacious interior compartments and wide aisles, large window surfaces, lower levels of interior noise and multimedia amenities enable the AGV™ to offer an unequalled level of comfort to the millions of passengers who use it.

A hybrid locomotive to reduce air emissions

Alstom has designed the H3 hybrid shunting locomotive, combining the use of a diesel generator, electric traction and batteries. This technology reduces fuel consumption by up to 50% compared to conventional solutions and facilitates indoor operations by limiting emissions and reducing noise. Contracts with Volkswagen and Deutsche Bahn Regio Bayern in Germany are currently ongoing for the delivery of three and five hybrid locomotives, respectively.

Designing sustainable railway systems

For its products and services, Alstom consistently promotes a lifecycle approach maximising environmental and economic benefits over time.

Eco-design for products and services

Alstom first began thinking in depth about eco-design in the mid-90s. Its eco-design policy was last updated in September 2013. The priorities it sets are to:

- improve the energy efficiency of rail transport systems;
- reduce noise and vibrations;
- use clean, recyclable, and natural materials;

- reduce air emissions;
- facilitate end-of-life management of products, particularly in maintenance activities.

This policy is deployed in design processes which ensure compliance throughout project execution, supported by a network of more than 60 experts (eco-designers, acoustics experts, materials experts, energy engineers, etc.).

Lifecycle assessments are conducted to support technical choices in many projects, such as the CITADIS™ Compact tramway for Aubagne, France, or new metros. Environmental Product Declarations (EPDs) provide customers with an in-depth picture of environmental impacts throughout the lifecycle. In 2013, Alstom published the Environmental Product Declaration for one of its metro solutions (DT5) ⁽¹⁾.

In February 2014, Alstom's Villeurbanne site was the first in the Group and one of the first in France to extend its ISO 140001 certification for environmental management to its design and product development activities *via* eco-design.

The eco-design approach also applies to services. For example, the Spare Parts activity in France has launched initiatives in the consolidation of deliveries, utilisation of new packaging methods which avoid using tape, and recycled cardboard packing for a more environmental-friendly offer.

Improving energy efficiency

Alstom makes constant efforts to reduce the energy consumption of its trains and systems. The trains designed today consume up to 20% less than previous generations thanks to:

- weight reduction through composite materials and re-design of parts (e.g. the stainless steel light body shell of X'TRAPOLIS™ Mega designed for PRASA in South Africa);
- reduced aerodynamic drag;
- more efficient traction systems, either electric or diesel (permanent magnet motors, optimised power packs control system, new traction chains);
- energy-efficient auxiliaries (lighting, heating and air conditioning);
- braking energy recovery;
- optimised sleep modes.

To reduce the energy consumption of existing systems, Alstom has developed a complete range of services for energy efficiency which includes energy mapping and optimisation solutions, such as traction retrofit, implementation of eco-driving tools, as well as energy storage and energy control systems.

(1) www.environdec.com.

Through a joint programme with the Railway Procurement Agency, the Irish authority responsible for the development of railway infrastructure, two tramways in Dublin have been equipped with smart meters to analyse their main energy usages, identify potential areas for optimisation and evaluate the benefits of tested optimisation solutions (HVAC control system, light energy storage for recovery of braking energy).

Noise reduction

Noise is a key concern, crucial to the acceptance of railway projects and fundamental for passenger comfort. Simulation tools have been developed by Alstom for railway systems to define optimised solutions by integrating the most recent innovations such as:

- redesigned HVAC (resonators, micro-perforated ducts) for reduced interior noise;
- new wheel dampers for tramways to avoid squeal;
- redesigned traction motor rotors (regional trains, metros);
- reduced electro-magnetic noise during acceleration phases (METROPOLIS™ Amsterdam);
- optimised doors;
- optimised ventilation: natural or switched off during stops;
- development of quiet roof-mounted power packs (CORADIA™ Regiolis);
- high attenuation sleepers to mitigate vibrations from the tracks, which deliver an equivalent performance to floating slab track systems at a lower cost.

On average, new trains are now 3-5 dB more silent than previous generations.

Use of clean, recyclable materials

Alstom is proactive in its design choices to favour recyclable materials. Its trains are now more than 90% recyclable and 97% recoverable (including energy recovery).

The design process also makes it possible to reduce risk and prepare for the end of the product lifecycle by:

- favouring water-soluble paints and biodegradable oils for most rolling stock;
- favouring riveting and bolting when assembling parts to facilitate recycling;

- providing customers with materials safety information and decommissioning instructions;
- tracking and substituting hazardous substances falling under the European Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH ⁽¹⁾).

Over the past three years, the approach towards substances, managed in collaboration with the whole supply chain, has allowed the detection and resolution of many cases of use of substances listed in annex XIV or candidates under REACH regulation. For more detailed information, please refer to Section Environmental Performance/Management of controversial substances.

Putting the passenger at the heart of innovation

Alstom believes that passenger comfort is the key element in changing behaviours in favour of sustainable mobility. That is why it puts the passenger at the heart of its innovation policy.

The new Alstom products offer large windows and wide aisles, reduced noise emissions, video-monitoring and new passenger information systems, and guaranteed accessibility for all. Alstom's engineers design products which anticipate the needs of users tomorrow. They particularly take into account the increase in average height of passengers and the ageing of the population.

Alstom is committed to facilitating access and on-board movement, to adapting ergonomics, notably *via* touch-sensitive and visual push-buttons, and to improving passenger information systems through real-time maps and visual and auditory signals.

For example, the new PENDOLINO™ for the Polish operator PKP Intercity offers specific adaptations for visually impaired passengers, such as information in Braille to identify seats.

These innovations, combined with the elimination of controversial substances (see dedicated paragraph in the Environmental section), are in favour of the safety and comfort of passengers, which are the end-users of Alstom products.

As in the other Sectors, relationships with other stakeholders (customers, suppliers, external institutions) and local communities form an integral part of the Transport Sector's sustainable development strategy. For more information, please refer to information provided in the section "Relationship with external stakeholders".

(1) European Regulation number 1907/2006 of the European Parliament and Council, dated 18 December 2006, for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

CLIMATE CHANGE STRATEGY

The Group is taking a pragmatic approach to make sure it is well prepared for all potential consequences of climate change and how they will affect Alstom and its stakeholders. At Group level, the focus is on mitigating the impact on its operations. The Sectors and businesses must be prepared for the impacts on operations, and also have a strategy in place to adapt their product portfolio in view of climate change. In short, climate change leads to additional risks for which Alstom is ready, but also leads to new business opportunities that Alstom will benefit from.

Risks

At Group level, a rigorous approach is in place to deal with risks.

On an overall scale, Alstom has a yearly company-wide risk assessment process in place; in order to address the climate change challenge, the Group implemented for the first time in fiscal year 2013/14 a "Climate change risk" as a new risk factor. Climate change risk has been assessed to evaluate the exposure of Alstom's manufacturing activities, sites and buildings to extreme weather conditions such as tropical cyclone, extra-tropical cyclone, hail storm, storm surge, flash flood, and tsunamis. The evaluation method took into consideration facilities with over €50 million of property damage and business interruption values in relation with geographical risk indexes provided by insurance companies and combined to probability ratio, in order to determine the range of the most exposed facilities of the Group.

In addition, Alstom takes immediate action to modify processes when and wherever necessary. The main example is the management of Alstom's industrial locations. For the selection of new sites or for major structural investments in existing sites, the Group has integrated the site's "preparedness" and "exposure" to climate change effects as one of its ranking criteria.

With further proactive risk management practices and assessments, the Group expects to decrease the likelihood of adverse impacts; mitigation/protective measures should contribute to reducing their magnitude.

Opportunities

Alstom is well prepared to benefit from new opportunities arising from changing conditions, and will be well positioned to gain a competitive advantage.

First, the increasingly visible climate change perspective will drive actions from governments and regulation bodies to limit the magnitude of this climate change by reducing greenhouse gas emissions. The type of actions and regulations will vary with the outcomes of international conferences such as COP20 and 21, but, in any case, decisions will be made, as in China (carbon emission trading schemes in some regions) or in California (where a strict environmental regulation has been put

in place). This will increase the demand for all products and services that Alstom has been working on for many years, with a strategy to make these as environment-friendly as possible. Alstom's Renewable Power Sector will grow significantly through higher demand for renewable energy, but the other Sectors also have new solutions under development to address specific environmental concerns. This strategy has already been addressed exhaustively in the above sub-sections "Sustainable Development in solutions from the Sectors", as well as in chapter 1 – Description of Activities, Thermal Power Sector, but this presentation can be completed by two significant examples:

- Thermal Power: Carbon Capture and Storage/Utilisation (CCS/U) is an entire new business segment in which Alstom is taking a leading role. Several Alstom demonstrators are successfully operating, and the Group has the technology and know-how to deploy these on a commercial scale, as soon as demand (driven by regulations or higher CO₂ prices) increases;
- Grid: regarding SF₆, the evolution of regulations could seriously impact the business of products containing this gas (banned or more probably taxed). The Grid Sector is anticipating with its R&D programme moving up voltage limit for SF₆-free products and reducing the volume of SF₆ in its new products. However, as previously mentioned, the Grid Sector is working actively on identifying alternative technologies with the same characteristics as SF₆ but with a reduced environmental impact.

In addition, climate change will lead to a demand for products and services better adapted to the new conditions. Alstom is diligently taking on board these new requirements in its R&D roadmaps. This can be illustrated in the following examples:

- Transport: rolling-stock and railway infrastructures need to be designed to resist more frequent climatic events such as storms, floods or extreme temperatures. Alstom has extensive experience in providing railway systems adapted to local weather conditions, both in high-temperature climates (e.g. Dubai, United Arab Emirates; Caracas, Venezuela) or very cold environment (Russia, Kazakhstan). In addition, Alstom actively participates in UNIFE discussions on the need to adapt railway systems to climate change and supports the Climate Change & Standardisation Sector Position Paper issued on 20 December 2012 by CER and UNIFE;
- Thermal Power: thanks to Alstom's strong positioning in the Middle-East for its thermal activities, the Group proposes thermal power plants able to run with low water requirements as these regions have water scarcity issues. In a world where water will increasingly become an issue and not only in the Middle-East, Alstom will have a competitive advantage of having developed these solutions.

STRATEGY FOR EMERGING MARKETS

The Group's overall strategic priorities and actions that serve as an enabler and support for Alstom's four Sectors, should be considered separately from the actual strategies of the various activities in these Sectors (which are addressed in chapter 1).

Alstom's development in emerging markets is a main driver for its growth. As a global player, the Group has a major presence in all leading growth economies. This does not mean only commercial presence, but also significant R&D, engineering, manufacturing, project execution, as

well as service resources. The share of emerging markets in Alstom's headcount, CAPEX and orders has increased in recent years, and will remain at a high level in the foreseeable future.

Moreover, to stress the importance of Asia as the main global cluster of emerging economies, many of the Group's businesses have regional headquarters in emerging markets; the Boiler business has even established its global headquarters in Asia.

ENVIRONMENTAL PERFORMANCE

The report presents the results of the Group on the environmental footprint of permanent facilities.

Five environmental indicators are monitored, for which the Group has set objectives to reduce its environmental impact; other indicators and actions taken in favour of the environment are also presented, including compliance with new regulations or directives.

In this section, environmental results are presented by calendar year and certification results by fiscal year.

In 2013, the Group was in line with its objectives with regards to reducing energy greenhouse gas (GHG) consumption intensity, volatile

organic compounds (VOC) emission reduction and increasing the waste recovery rate. All large manufacturing sites (> 200 employees) are now certified ISO 14001 and water consumption of permanent sites is decreasing. The specific target related to the GHG emissions from the Grid Sector's sulphur hexafluoride (SF₆) has not been reached but strong actions are being implemented to close the gap.

This section has been reviewed by PricewaterhouseCoopers as an independent third party in regard to Article 225 of the French Grenelle law. A sample of 44 units in 10 countries has been examined. The review report is available at the end of this chapter.

CERTIFICATION OF UNITS

Objective: all manufacturing sites over 200 employees certified ISO 14001

Results: at the end of fiscal year 2013/14, 100% of the manufacturing sites over 200 employees are certified ISO14001. This programme

supports the reduction in environmental impacts from the Group's operations. The requirements for ISO 14001 and OHSAS 18001 (Safety) certifications are integrated in the Alstom EHS Roadmap and contribute to the improvement process of Environment, Health and Safety on sites.

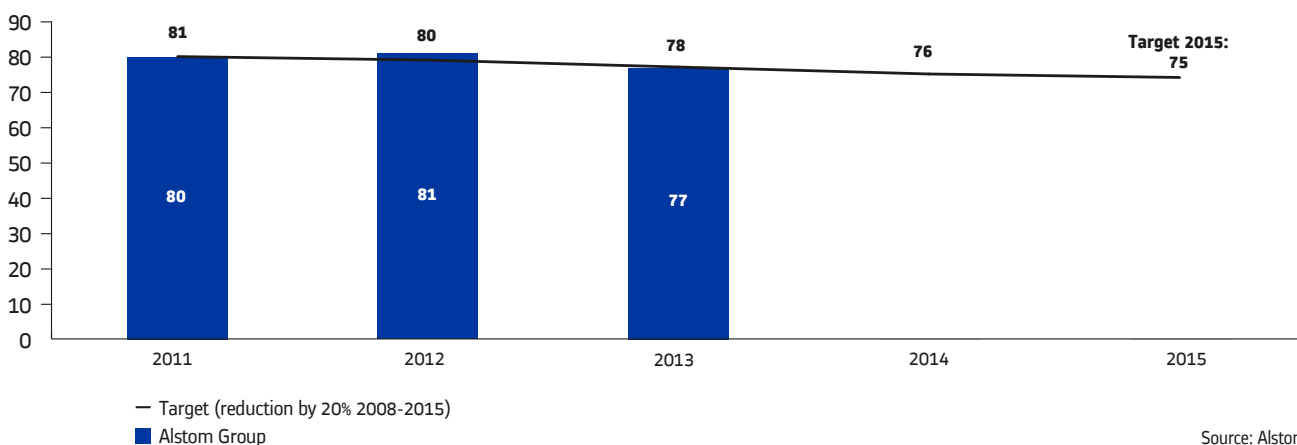
ENERGY CONSUMPTION

Objective: reduce energy intensity by 20% in permanent facilities by 2015 (reference year 2008)

Energy intensity is measured in terms of the amount of energy used in relation to sales. The indicators are calculated with regard to the sales of the fiscal year.

Result: at the end of 2013, a reduction in energy intensity (77) by 18% was achieved compared to the 2008 base year (94); the results are on track to reach the target of 75 in energy intensity by 2015. The energy intensity of all Sectors decreased this year with numerous action plans driving 80% of the results, 20% coming from a warmer winter in Europe which contributes to moderate gas and steam utilisation for heating of the buildings compared to last year.

ENERGY INTENSITY ^(*) (in MWh/sales in € million)



(*) Excluding the energy used by the Birr (Switzerland) Research & Development (R&D) test activity (gas and diesel oil as fuel).

Details of energy consumption

ENERGY CONSUMPTION IN PERMANENT FACILITIES ^(*)

(in GWh)	2011	2012	2013
Natural gas	630	685	621
Butane, propane and other gases	47	44	43
Heavy fuel and diesel oil	76	66	51
Steam/heat	124	134	134
Electricity	717	706	703
Coal & other fuels	7	8	4
TOTAL ENERGY CONSUMPTION	1,600	1,642	1,555

Source: Alstom.

(*) Excluding the energy used by the Birr (Switzerland) Research & Development test activity (gas and diesel oil as fuel).

The Group total energy consumption decreased between 2012 and 2013 (-5%).

Natural gas consumption decreased by 9%, electricity usage remained stable and the use of heavy fuel has been reduced. The ongoing application of energy saving programmes contributed to these results.

The Birr (Switzerland) Research & Development activity tests gas turbine prototypes in real operating conditions using natural gas and diesel fuel oil. Electricity is produced and sent into the Swiss distribution network with no significant impact on the country's electricity CO₂ emission factor.

Since this activity is intermittent, it varies significantly from one year to another; it cannot be integrated into the global objective of the Group and is therefore counted separately. No major test activities have been performed this year, which leads to a natural gas consumption of 21 GWh in 2013.

Find out more about Sectors' detailed results, best practices and the programmes which contribute to reach the Group's targets: www.alstom.com.

GREENHOUSE GAS (GHG) EMISSIONS

GHG emissions related to operations

Objective: reduce GHG emission intensity by 20% in permanent facilities by 2015 (reference year 2008) ⁽¹⁾.

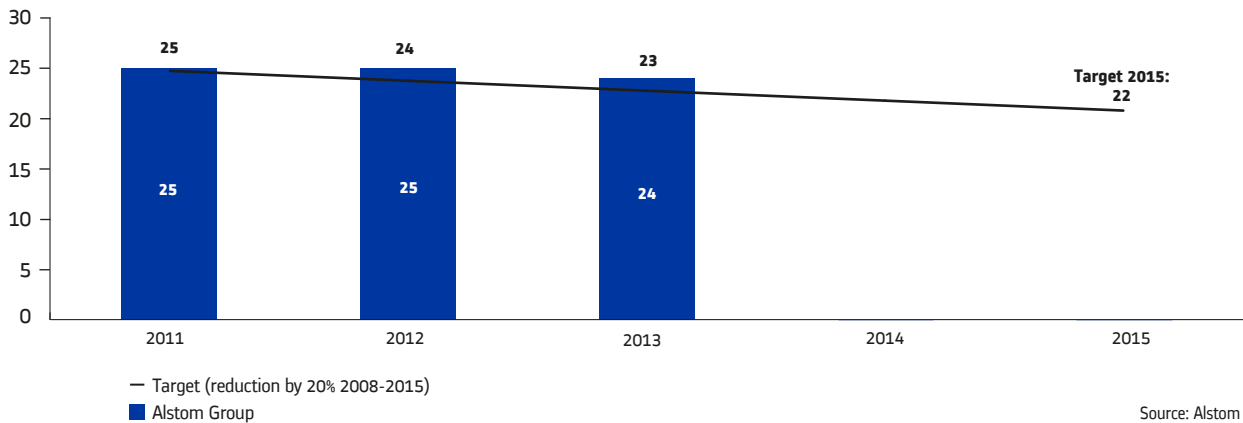
GHG emission intensity is measured in terms of tons of CO₂ equivalent produced in relation to sales at the end of fiscal year.

The Group measures separately the GHG attributable to energy usage, fugitive emissions of perfluorocarbons gases (PFC) and hydrofluorocarbons (HFC) (Ktons CO₂ eq) and the GHG from fugitive emissions of SF₆ (SF₆ gas is specific to the Grid Sector). As such, the comparison with the 2008 objective is limited to GHG emissions from energy consumption (Ktons CO₂ eq) in permanent facilities.

(1) Excluding the CO₂ emissions due to the Grid Sector's SF₆ fugitive emissions and the CO₂ emissions related to the energy used by the Birr R&D test activity (emissions due to gas and diesel oil usage) – updated compared to previous years' registration documents.

Result: at the end of 2013, the reduction in GHG emission intensity attributable to energy consumption was an 11% reduction (24) compared to the reference year, 2008 (27).

GREENHOUSE GAS EMISSIONS INTENSITY ^(*) (in tons CO₂ equivalent/sales in € million)



(*) Excluding the CO₂ emissions due to the Grid Sector's SF₆ fugitive emissions and the CO₂ emissions related to the energy used by the Birr R&D test activity (emissions due to gas and diesel oil usage) – updated compared to previous years' registration documents.

GHG emissions details

GHG EMISSIONS FROM ENERGY USAGE IN PERMANENT FACILITIES ^(*)

(in kilotons CO ₂ eq)	2011	2012	2013
Direct CO ₂ emissions from natural gas, butane, propane, coal and oil consumption	173	181	162
Indirect CO ₂ emissions from steam, heat and electricity consumption	344	326	324
Total CO₂ emissions from energy consumption	517	508	486
Other Direct CO ₂ fugitive emissions from PFC and HFC	2	2	1
TOTAL CO₂ EMISSIONS FROM ENERGY CONSUMPTION AND OTHER DIRECT EMISSIONS EXCEPT SF₆	520	510	488

Source: Alstom.

(*) Excluding the CO₂ emissions due to the Grid Sector's SF₆ fugitive emissions and the CO₂ emissions related to the energy used by the Birr R&D test activity (emissions due to gas and diesel oil usage) which amounts to 5 kilotons CO₂ eq.

Direct and indirect CO₂ emissions from energy consumption decreased by 4% between 2012 and 2013.

GHG emissions related to the use of SF₆

Objective: reduce SF₆ intensity by 8% between 2012 and 2015.

The Grid Sector was integrated in Alstom in June 2010. This makes the comparison to the 2008 base year impossible.

59% of the total emissions of greenhouse gases (direct and indirect) of the Grid Sector are due to SF₆ usage.

No other Alstom Sectors use SF₆, and this gas is essential to the Grid business and its customers, due to its particular dielectric properties. It is used in high- and medium-voltage switchgears and in all components of Gas Insulated Substations (GIS) for its insulation characteristics. However, it presents a global warming potential, nearly 24,000 times more than CO₂. Therefore its importance as a greenhouse gas is critical and the emission of SF₆ into the atmosphere must be prevented as much as possible.

The ongoing goal of the Grid Sector is to minimise its impact on the environment; the priority is the reduction of SF₆ contained in products, and SF₆ losses through processes, production and testing equipment and commissioning techniques.

The day-to-day implementation of best-handling practices by all those involved in the gas life cycle is, nevertheless, the most important factor in a continuous, environmental-friendly improvement process.

In 2013, the Grid Sector handled approximately 870 tons of SF₆, of which 6.3 tons were released into the atmosphere on Grid's permanent sites during testing and filling operations. This represents a leakage rate of 0.7% (same rate in 2012).

For the Grid Sector, those emissions represent approximately 80% of the total direct emissions in CO₂ equivalent. Grid commits to reduce them by reducing the SF₆ mass in sub-stations thanks to its eco-design approach, as well as by the implementation of best-handling practices on Grid sites to reduce leakages.

Since 2012, this indicator has been monitored each year with an objective that is in line with the Group's greenhouse gas initial objective of -8% between 2012 and 2015 (i.e. an average of -2.5% per year).

In 2013, analysis confirmed that the GIS product line masters SF₆ management. Consequently the priority was to ensure the reliability of SF₆ emission measurement in the Air Insulated Substation (AIS) product line, which is now the main contributor and not as advanced on the subject.

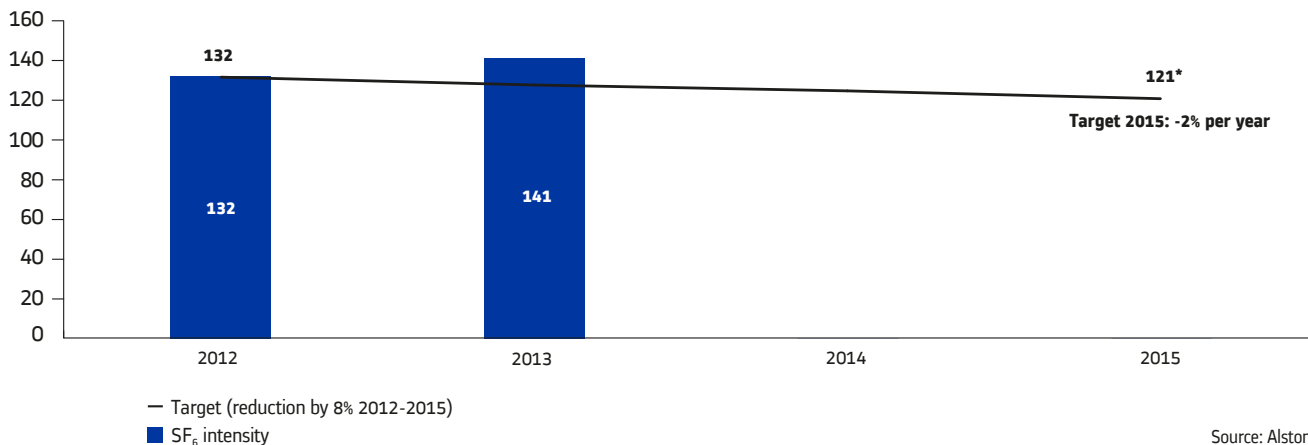
The Group's reported SF₆ emissions have increased this year as a consequence of improved SF₆ monitoring in the AIS product line.

An example of SF₆ management improvement was identified at an American site. Thanks to improved SF₆ monitoring, SF₆ leaks were identified by Infrared camera and immediate remedial measures were implemented.

Going beyond the European fluorinated greenhouse gas certification regulation, the Grid Sector is deploying a worldwide training programme on SF₆ management to ensure that Grid employees are well aware of this gas' environmental impacts and safety risks and of proper handling techniques to reduce leaks. In addition to existing training programmes, a new, three-level e-learning programme on SF₆ is being launched in 2014. The second part of the training will be hands-on.

The Grid Sector is also working actively on identifying alternative technologies with the same characteristics as SF₆ but with a reduced environmental impact.

INTENSITY OF GREENHOUSE GAS EMISSIONS FROM SF₆ (in tons CO₂ equivalent/SF₆ equipment sales in € million)



(*) The 2015 target was decided based on 2012 figures, but in 2013 inaccuracies in the 2012 data were discovered at certain sites.

SF₆ FUGITIVE EMISSIONS

(in tons)	2011	2012	2013
SF ₆ fugitive emissions	4.97 (*)	5.77	6.34

Source: Alstom.

(*) Reported values are based on the best estimations collected on the scope of reporting of the considered year.

CO₂ emissions related to business travels

CO₂ EMISSIONS FROM BUSINESS TRAVELS

(in kilotons)	2011	2012	2013
CO ₂ emissions from air travels (*)	-	131	115
CO ₂ emissions from train travels	-	-	2
CO ₂ emissions from company cars using gasoline	8	8	6
CO ₂ emissions from company cars using diesel oil	14	16	16

Source: Alstom.

(*) Source: Carlson Wagonlit Travel (CWT) – CO₂ calculations are based on the 2011 (July) guidelines produced by DEFRA/DECC's GHG Conversion Factors – The calculation takes only into account air travel that has been tracked by CWT.

It is important to note that, in 2013, an enhanced selectivity in the air travel policy, combined with an increasing use of alternative means of communication has contributed to reducing the Group's CO₂ emissions related to air travel and the related cost (-12% of CO₂ emissions from air travel).

The actions detailed below also represent alternatives that contribute to avoid CO₂ emissions linked to business travels.

Development of virtual meetings through the Group

Starting in 2009, Alstom has invested in an innovative communication tool – telepresence – that helps reduce the Group's CO₂ emissions, while reducing travel time and expenses. This CISCO® technology offers a high resolution and sound that enable virtual meetings to take place as efficiently as face-to-face meetings, thereby accelerating the decision-making process.

The increasing use of internal messenger's applications such as Lync® or Communicator® widely deployed within the Group contributes to avoid travels.

For detailed information, see in "Social Performance section", paragraph dedicated to Alstom Collaborative Way (ACW).

Use of renewable energies

The Group has signed contracts for usage of electricity from renewable sources where economically bearable: Alstom is fully supplied with green electricity in the UK (40 GWh from renewable sources: 74% coming from Wind, 14% from biomass, 7% from Hydro and 5% from other sources) as well as in Belgium. These contracts cover 2013 and 2014.

In Germany, the Kassel site uses renewable energy sources and has had a 100% Green Power hydro energy contract since 2008.

The Group has also signed in France an electricity contract for those main sites including 30% of renewable energy sources for 2014 and 2015.

WATER CONSUMPTION

Consumption of permanent sites located in water-stressed areas

The Group has updated its water-stressed area mapping as per the new World Resources Institute map reference 2012⁽¹⁾. A first simulation based on extremely high, high and medium-high water stress categories shows that 80 locations (>200 employees) are concerned, representing a

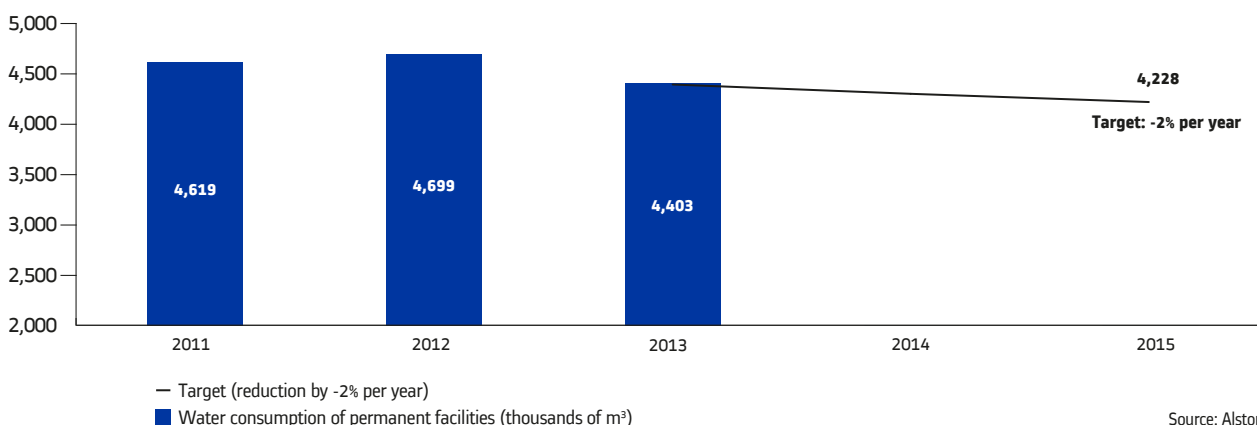
global water consumption of 966 thousands of cubic meters, 22% of the overall water consumption of the Group's permanent sites.

In 2013, Alstom decided that following only the water stressed area was too restrictive and as a consequence has extended its water consumption reduction target to all its sites.

Water consumption in the whole Group (all permanent sites)

Objective updated: water consumption reduction by 2% per year.

WATER CONSUMPTION OF PERMANENT FACILITIES (in thousands of cubic meters)



In 2013, the overall water consumption decreased by 6%. Around 35% of water usage is impacted by a small number of large volume users, which use water for R&D activities in open-circuit cooling systems or for test

purposes, with no significant impact on the water quality, temperature or on the natural environment.

(1) WRI Aqueduct™ project.

Details of water consumption

WATER CONSUMPTION IN PERMANENT FACILITIES

<i>(in thousands of cubic meters)</i>	2011	2012	2013
Public network	2,200	2,224	2,244
Ground water	1,872	2,058	1,765
Surface water	547	387	394
TOTAL WATER CONSUMPTION	4,619	4,699	4,403

Source: Alstom.

WATER CONSUMPTION USED FOR TESTS OR IN OPEN-CIRCUIT COOLING SYSTEMS INCLUDED IN TOTAL WATER CONSUMPTION

<i>(in thousands of cubic meters)</i>	2011	2012	2013
Water used for tests or in open-circuit cooling systems	1,432	1,785	1,527

Source: Alstom.

Waterborne discharges

WATERBORNE DISCHARGES IN PERMANENT FACILITIES

<i>(in tons)</i>	2011	2012	2013
Chemical Oxygen Demand	204	98	72
Suspended matters	40	55	41
Hydrocarbons	1	1	1
Metals	1	3	0.5

Source: Alstom.

The impact on the water discharged by the Group's production facilities is globally considered as limited, relatively to the size of Alstom operations.

AIRBORNE EMISSIONS

Non-methane Volatile Organic Compounds (VOC) emissions

Objective: reduce non-methane VOC emissions by 2% each year until 2015.

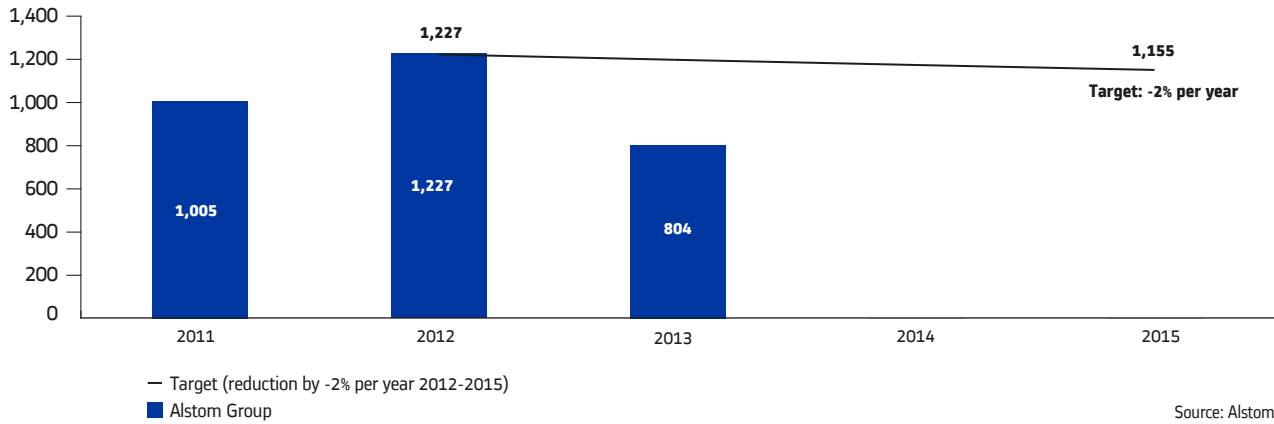
In 2013, the Group improved both VOC emissions data accuracy and measure thanks to the Renewable Power Sector VOC's in-depth study

and the use of a new VOC methodology. In the Thermal Power Sector, VOCs' capture systems newly installed on a major site led to significant emission reduction.

As a result, VOC emissions have significantly decreased compared to 2012 (-35%).

Detail of non-methane VOC emissions

VOC EMISSIONS IN PERMANENT FACILITIES *(in metric tons)*



Find out more about VOC detailed results, best practices and the programmes which contribute to reach the Group's targets: www.alstom.com.

SO₂ and NO_x emissions

SO₂ AND NO_x EMISSIONS IN PERMANENT FACILITIES EXCLUDING THE BIRR R&D TEST ACTIVITY (explanations are provided in the Energy intensity part)

<i>(in metric tons)</i>	2011	2012	2013
SO ₂	45	20	15
NO _x	152	114	117

Source: Alstom.

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.

NOISE POLLUTION

Part of Alstom's continuous improvement process, the EHS referential "EHS Roadmap" covers "noise management" as a specific chapter of the Environmental management chapter. Noise analysis is also covered by Alstom EHS risk assessments and impact analysis processes.

GROUND FOOTPRINT

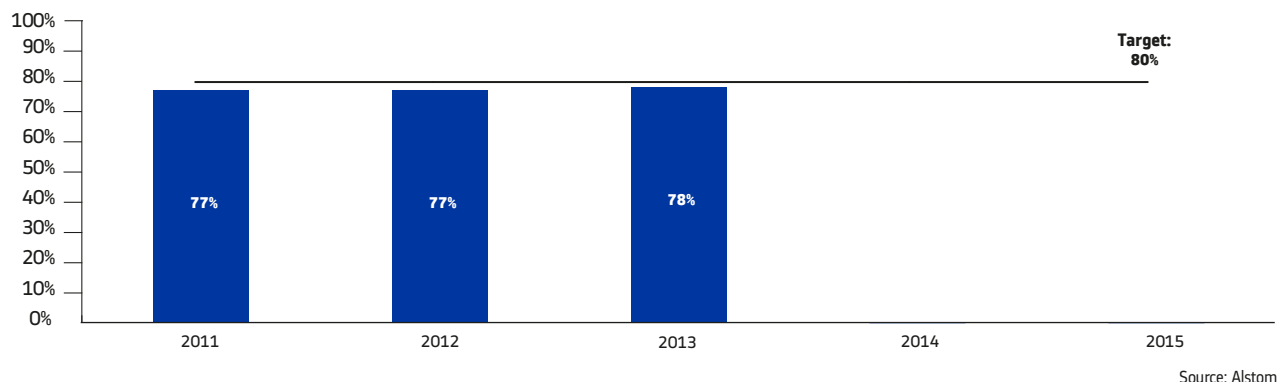
The Ground footprint is not relevant or extensive in Alstom's industrial activity sector; therefore no detailed ground footprint analysis needs to be carried out at Alstom's operation sites.

WASTE MANAGEMENT

Percentage of recovered waste

Objective: recovery of 80% of the total waste by 2015.

PERCENTAGE OF RECOVERED WASTE



Waste recovery rate increases this year with a 78% recovery rate in line with the objective set by the Group in 2015.

Waste generation

WASTE GENERATION IN PERMANENT FACILITIES

<i>(in metric tons)</i>	2012	2013
Hazardous waste	19,809	11,062
Non-hazardous waste	127,808	116,524
TOTAL WASTE PRODUCTION	147,617	127,586

Source: Alstom.

Waste sent to waste disposal (not recovered)

<i>(in metric tons)</i>	2012	2013
Waste sent to waste disposal (not recovered)	34,650	28,056

Source: Alstom.

MANAGEMENT OF CONTROVERSIAL SUBSTANCES

Elimination of asbestos

Utilisation of any asbestos or asbestos containing material has been prohibited in Alstom's products since 2006.

It has been Alstom's policy for many years to ban the presence of asbestos in all its operational units and to have asbestos-free materials in its buildings (leased or owned) and equipment used by the Group worldwide, including in countries where asbestos is not prohibited.

As far back as 2006 and 2007, the Group wrote instructions to frame the monitoring process and workers' protection; these instructions have been updated and improved since then.

Within this framework, Alstom has set an ambitious objective: the eradication of asbestos, as much as reasonably and economically practicable. To reach this target, asbestos surveys have been organised at all units and have been followed by financially assessed abatement plans.

REACH regulation management

As a complex product and service supplier working in an international environment, Alstom is impacted by the REACH ⁽¹⁾ regulation in its conception activities and project implementations carried out within and from Europe.

There are two main prospective impacts:

- the obligation to inform the customers about Substances of Very High Concern (SVHC);
- the risk of a lack of supply for hazardous substances; suppliers could stop providing them.

It is generally estimated that:

- Alstom does not need to register any substance because it does not import or manufacture any chemical substance in quantities above 1t/year per European entity;
- Alstom does not need to notify the European Chemical Agency (ECHA) or communicate to its customers the presence in its products of any SVHC listed on the ECHA "candidate list", because the Group does not supply products containing more than 0.1% of these identified substances;
- Alstom implements the recommended measures to prevent human and environmental risks related to the use of chemicals.

In order to guarantee compliance with these guidelines, Alstom uses an approach that requires deals with exclusive representatives for chemicals importation into the European Economic Area, prescriptions

to suppliers concerning substances and articles listed in the REACH regulation, information gathering from suppliers about the possible presence of hazardous substances in the products, identification of hazardous articles by internal experts, implementation of substitution programmes when it is necessary and the update of the internal process of chemical hazard management.

For three years, the Transport Sector's proactive approach to substances has enabled it to detect and resolve numerous cases of the use of Substances of Very High Concern according to the REACH regulation. More than 21,000 usages of authorisation candidate substances in articles are now under observation. Concerning substances subject to authorisation, published in Annex XIV of the REACH regulation, 960 have been detected and are currently being addressed with suppliers. Thus 82% of Annex XIV cases are now secured and 100% will be secured before the legal deadlines.

Nanotechnologies

Alstom does not add for the time being engineered nanomaterials in its products.

However, on-going Research & Development in components of electrical insulators (for power electronics, switchgears, bushings, etc.) or studies for use in paintings or coatings (hydrophobic or heal coating properties), involve some very small quantities of nanotechnologies, a few hundred grams that are included in laboratory samples of small polymer components.

BIODIVERSITY

A biodiversity assessment conducted in March 2013 to evaluate Alstom's 70 major manufacturing sites (>200 employees) impact, highlighted that 63 of them are located at more than one kilometre from legally protected areas ⁽²⁾ and/or priority sites for biodiversity ⁽³⁾. Consequently, 90% of Alstom major sites do not operate in or adjacently to legally protected areas ⁽²⁾ or priority sites for biodiversity ⁽³⁾. Alstom currently does not own any site within the sub-categories of legally protected areas e.g. IUCN I, II, III and VI and also those of priority sites for biodiversity e.g. Important Bird Area and Alliance Zero Extinction sites.

Alstom sites in Brazil, Mexico, Indonesia, Spain, Portugal and Turkey are located within vast Biodiversity hotspots (Regions of Conservation Importance ⁽⁴⁾); but they cover minimal areas compared to the size of biodiversity hotspots.

The biodiversity Graph is available on www.alstom.com.

Source for definitions of IUCN I-VI, Natura 2000, Biodiversity hotspots etc.: http://www.biodiversitya-z.org/area_types/1.

(1) European Regulation number 1907/2006 of the European Parliament and Council, dated 18 December 2006, for Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

(2) Legally protected areas (PA): IUCN I-VI, World heritage sites, Natura 2000, Ramsar, OSPAR, Barcelona convention, ASEAN heritage sites.

(3) Priority sites for Biodiversity (KBA): Important Bird Area (IBA) and AZE.

(4) "Régions d'importance pour la conservation" (CI): Endemic bird areas, High biodiversity wilderness areas and Biodiversity hotspots.

EMPLOYEE AWARENESS

In 2011, Renewable Power sector launched the “We Share the Power” project whose aim is to reduce the consumption of energy in order to give a better access to energy and support Alstom’s objective to reduce energy intensity. The project is going along keeping the three main goals:

- encourage to implement energy efficiency actions in factories, through “quick wins”;
- create a community of employees that exchange good practices not only in factories, but also in buildings and at home;

- use the savings to give a better access to power around Alstom’s operations (e.g. dams, factories, etc.).

In 2013, the project was extended to other Sectors with Energy Saving Days taking place in France, Spain, India, China, Canada and Brazil. These involve teams of volunteers which compete against each other to find the best ways to reduce energy costs.

Awareness through conferences on energy savings took place in Paris Headquarters (two 1 hour-conferences in 2013).

EXAMPLE OF ACTION TO OFFSET THE ENVIRONMENTAL IMPACT OF OPERATIONS

In 2012, the Thermal Power Sector drafted Alstom green building guideline which is currently being reviewed for update and completion. This document would comprise Alstom’s prerequisites that have to be implemented on each site on a mandatory basis. Moreover, it would be based on credit system where a final assessment would take place at the end of project completion to identify the number of credits that a particular site can achieve.

However, Alstom has several numbers of sites that have already been certified with green building labels:

- Chattanooga – USA (Thermal Power), 2013: LEED ⁽¹⁾ (Gold level);
- Shanghai – China (Grid), 2011: LEED (Gold level);
- New Castle – USA (Transport), 2010: LEED (Silver level).

In addition, there are several ongoing projects that are targeting to get certification:

- Villeurbanne – France (Transport): BREAM ⁽²⁾ & HQE ⁽³⁾;
- Milan – Italy (Grid), 2014: LEED;
- Saint-Nazaire – France (Renewable Power): LEED/HQE.

Thanks to Alstom’s green building new guidelines, the number of green buildings will significantly increase in the coming years.

(1) LEED (Leadership in Energy and Environmental design) certification agency; USGBC (United States Green building council), US, 1999.

(2) BREAM (Building Research Establishment Assessment Method) certification agency; BRE (Building Research Establishment), UK, 1990.

(3) HQE (*Haute qualité environnementale*) certification agency; Assohqe (*Association pour la haute qualité environnementale*), France, 2002.

SOCIAL PERFORMANCE

GROUP HUMAN RESOURCES POLICY

Whilst continuing to shape the Group to its environment, Alstom has carried on the implementation of its Human Resources (HR) policy.

Covering the whole Group, the HR vision has been largely communicated within the HR teams and to Management. Its implementation enhances the employees' engagement and dedication. The objective is by 2020, all employees should recognise Alstom:

- as the place where people can have a direct impact on the success of the business;
- for its diversity, its dedication to innovation, learning and engaged workforce;
- as a company developing and promoting experts and leaders from the Group and all over the world;
- for its lean organisation facilitating the life of employees and the business;
- for its reward of performance and regular feedback;
- for its One Alstom HR organisation serving company needs at both global and local levels.

The HR strategy is based on staffing, knowledge, talent and engagement. It fully supports the main on-going programmes which are designed to:

- offer the best working conditions;
- adapt the workforce to the activities and markets;
- reinforce company culture;
- develop competencies and manage careers;
- promote equal opportunities.

During the fiscal year, the Group focused particularly on:

- deploying the Zero Deviation plan for high risk activities in all Sectors, countries and sites;
- adapting its organisation to better match the market and technology evolutions;
- preparing and deploying a leaner HR organisation to professionalise the HR teams;
- increasing operational efficiency: sharing experience and cross-Sector fertilisation;
- promoting internal mobility.

To foster and strengthen the implementation of its Human Resources policy, the Group organised the HR management through seven regions covering all of its sites: Asia-Pacific, France, Americas, Northern Europe, Eastern Europe, Middle East-Africa and Southern Europe. Each of those regions is led by one member of the HR Executive Committee to ensure a consistent deployment of the policy and the tools.

In order to drive its social policy, Alstom manages a network of 1,230 HR Managers. The intranet HR section describes the mandatory HR processes and rules. Its activity is supported by a single Human Resources Information System (HRIS) that encompasses all key processes and is deployed worldwide.

In this section, the results from the HRIS covering the whole Group are presented by fiscal year; the results from the social survey conducted in 26 countries representing 93% of the total headcount are presented by calendar year.

OFFERING THE BEST WORKING CONDITIONS

Occupational accidents prevention

Alstom's upmost priority is the prevention of occupational accidents and diseases. A successful safety performance cannot be considered as fully achieved if the physical integrity or health of Alstom employees and its contractors' has been affected during the course of activities.

This section has been reviewed by PricewaterhouseCoopers as an independent third party in regard to Article 225 of the French Grenelle law. A sample of 44 units in 10 countries has been examined. The review report is available at the end of this chapter.

Alstom's safety goals and current situation

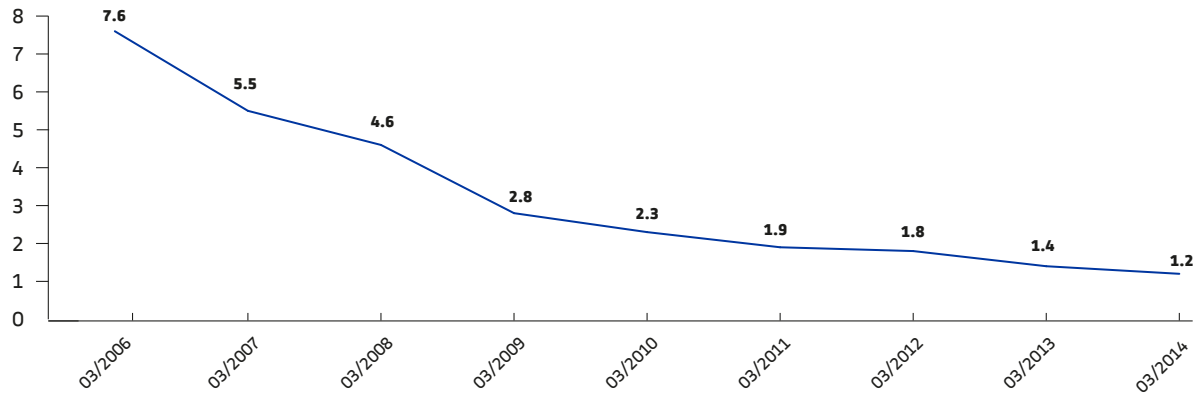
Safety Objectives

- No fatality (both for employees and contractors).
- Occupational injury frequency rate (IFR1) at level 1 at the end of 2015/2016.

Result: Injury Frequency Rate 1 (IFR1): 1.2 at March 2014.

INJURY FREQUENCY RATE 1 (IFR 1)

(Number of accidents with sick leave per million hours worked, Alstom employees up to 2009, employees & contractors as from 2010)



Source: Alstom

Alstom has put in place, following the same ambition as for its own employees, the monitoring of its contractors' safety performance. The IFR1 for contractors' employees is very close to that for Alstom employees. However, when it comes to severe accidents, the number of victims is significantly higher among contractors.

Thanks to the global reduction in the number of accidents, the Injury Frequency Rate has reduced by 74% since 2008; but the number of severe accidents remains still high. Therefore, safety remains an absolute priority for all Sectors.

KEY FIGURES ON OCCUPATIONAL ACCIDENT PREVENTION

	2011/12	2012/13	2013/14
Number of employees trained in EHS classroom trainings	1,700	3,358	2,914
Number of employees trained in EHS through e-learning trainings	-	-	35,196
Number of fatal accidents of employees (Alstom employees)	4	1	0
Number of fatal accidents linked with Alstom activities (contractors)	7	4	5
Number of occupational safety severe accidents reported (*) (incl. fatal accidents)	-	29	37
Injury Frequency Rate of lost-time accidents (employees and contractors)	1.8	1.4	1.2
Severity Rate of lost-time accidents (employees only)	0.06	0.06	0.06

Source: Alstom.

(*) Occupational safety severe accident definition: On Alstom sites or other companies' sites related to Alstom activities, whichever company (Alstom or other) employs the victim: Fatal accidents, 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, any accident causing fracture requiring surgery, whatever the length of the medical leave. The Severe Accidents' definition was changed in fiscal year 2012/13 and is therefore published for two years only.

Management of occupational safety

Occupational safety is managed through the Environment, Health and Safety (EHS) organisation. A network of approximately 800 managers and professionals in total is organised in each Sector and coordinated at Group level. This network is also in charge of managing environmental risks and preventing accidental pollutions from Alstom operations.

The management system for EHS is based on a reference guide (EHS reference standard) called "EHS Roadmap", in line with ISO 14001 and OHSAS 18001 requirements. Implementation is verified through self-assessment and audits.

"Alstom Zero Deviation Plan" (AZDP)

This plan launched in June 2012 in order to reduce the number of fatalities and severe accidents from Alstom activities (1) had a strong effect on the reduction in the number of fatalities. However, whereas during fiscal year 2013/14 no fatal accidents affected any Alstom employees, the Group was still faced with fatalities among contractors' employees and too many severe accidents.

As a consequence, AZDP remains the keystone of Alstom's global actions to reach "zero severe accidents".

(1) For more information on this programme, please refer to Registration Document 2012/13 (p. 249-250) and on www.alstom.com.

Alstom Safety Directives have been extended to cover two additional high-risk activities with 50 critical requirements, the application of which is supported by a “Zero Tolerance to Deviation” policy. In fiscal year 2013/14, Alstom organised a second wave of 169 audits to support AZDP. To conduct those audits, over 230 EHS professionals were trained during three-day sessions prior to the audit.

Occupational diseases

Due to the absence of an international definition of occupational diseases, it is difficult to aggregate the data in this domain. Therefore the following figures give an estimate of the number of occupational diseases registered and reported at Group level.

In 2013/14, 60 occupational diseases were registered as per Alstom Group reporting manual definition.

Safety awareness programmes and awards

Alstom strives for zero accidents. Here are some examples of Alstom’s Health and Safety performance in fiscal year 2013/14:

- the Thermal Services team based at the Kalaeloa plant in Hawaii, USA, has completed eleven years, or 4,018 days, with no lost time accidents (LTAs). This 208 MW combined-cycle cogeneration plant operates 24 hours a day, all year round and completes a turbine major overhaul annually. This milestone equates to nearly three quarters of a million person-hours of safe work for the 30 full time Alstom employees and two customer representatives based in the plant. Over the last eleven years, the plant has completed twelve major turbine overhauls, two extensive heat recovery steam generator refurbishments, 1,200 combustion turbine start-ups, hundreds of fuel loads, multiple mechanical equipment replacements, electrical

connections and work orders. Routine and overhaul work requires high-risk activities such as working at height, working near electrical equipment, lifting with cranes and entry to confined spaces. However, the team has built safety into the job, anticipating hazards and controlling them before they can cause an issue and encouraging the team to report near misses and maintain a questioning attitude. Communication has been a key contributor to this achievement, where regular short safety updates, as well as training, has kept the team informed. In accordance with the Alstom’s Zero Deviation Plan, safety is emphasized as the top priority, where safe completion of work is as important as the speed of execution;

- safety is an on-going priority for Thermal Power’s Nuclear business at EDF’s Flamanville 3, the EPR nuclear power plant currently under construction in western France. Alstom’s nuclear activity’s continued efforts on EHS have been rewarded. A drop in the injury frequency rate (IFR) from 26 to 1.46 was achieved in just nine months and has created a strong safety culture among Alstom employees and sub-contractors.

Assessment on collective agreements on Health & Safety

Occupational safety indicators are included in most profit-sharing agreements as one of the calculation criteria. On-site health and safety committees resulting from regulation or local agreements exist in most industrial locations.

All operational managers whose action impacts EHS have one of their objectives related to EHS results or actions.

Life insurance

Objective: all employees receive at least one year salary in case of accidental death.

Results: the evolution of employee coverage is quite satisfactory.

	2011/12	2012/13	2013/14
Ratio of employees covered by a life insurance in case of accidental death	99%	99.5%	97.3%
Ratio of employees covered by a life insurance giving one year salary	94%	91%	93.7%

Source: Alstom social survey conducted in 24 countries representing 80% of the Group’s total headcount (the perimeter of the initial social survey was reduced, as data for some countries were not reliable).

In countries such as Poland, employer contributions to insurance policies are considered as a taxable benefit, leading some employees to decline this offer.

GROUP WORKFORCE AT 31 MARCH 2014

The figures in the following tables include permanent and fixed-term contracts.

Note: Alstom HRIS stands for Alstom Human Resources Information Systems, a worldwide database supporting Human Resources management.

Breakdown by region

	Africa/ Middle East	Asia/ Pacific	Europe	North America	Central & South America	Total	Total at 31 March 2013
Workforce	3,272	18,833	55,545	9,639	7,430	94,719	94,545
Out of which long-term absentees (LTA)	4	101	1,375	83	154	1,717	1,639
% of total workforce	3.45%	19.88%	58.64%	10.18%	7.84%		

Source: Alstom HRIS.

Breakdown by category (incl. LTA)

	Africa/ Middle East	Asia/ Pacific	Europe	North America	Central & South America	Total	% of total workforce	% of total workforce at 31 March 2013
Managers & Professionals	1,813	10,236	28,143	4,992	3,041	48,225	50.91%	50.04%
Other employees	1,459	8,597	27,402	4,647	4,389	46,494	49.09%	49.96%

Source: Alstom HRIS.

Breakdown by Sector (incl. LTA)

	Africa/ Middle East	Asia/ Pacific	Europe	North America	Central & South America	Total	% of total workforce	% of total workforce at 31 March 2013
Thermal Power (36,963)	1,007	8,694	20,786	5,845	631	36,963	39.02%	38.86%
Renewable Power (9,209)	10	2,774	3,284	784	2,357	9,209	9.72%	10.32%
Grid (17,159)	1,079	5,036	7,968	1,516	1,560	17,159	18.12%	19.02%
Transport (28,341)	1,119	1,908	21,526	1,316	2,472	28,341	29.92%	28.86%
Corporate & others (3,047)	57	421	1,981	178	410	3,047	3.22%	2.94%

Source: Alstom HRIS.

Breakdown by gender (by region, incl. LTA)

	Africa/ Middle East	Asia/ Pacific	Europe	North America	Central & South America	Total	% of total workforce	% of total workforce at 31 March 2013
Men	2,794	16,187	45,849	8,079	6,385	73,295	84%	84%
Women	478	2,646	9,696	1,560	1,045	14,425	16%	16%

Source: Alstom HRIS.

Breakdown by type of contract (incl. LTA)

	Africa/ Middle East	Asia/ Pacific	Europe	North America	Central & South America	Total	Total at 31 March 2013
Permanent contracts	2,285	15,772	52,856	8,002	7,210	86,125	86,252
Fixed-term contracts	987	3,061	2,689	1,637	220	8,594	8,293
Temporary workers	195	1,819	5,034	631	341	8,020	8,035
Interns	44	376	1,568	30	190	2,208	2,265

Source: Alstom HRIS.

Workforce changes during fiscal year (incl. LTA)

	Africa/ Middle East	Asia/ Pacific	Europe	North America	Central & South America	Total	Total at 31 March 2013
Hiring on permanent contracts	533	1,640	3,931	989	1,182	8,275	9,905
Hiring on fixed-term contracts	301	1,432	2,434	2,792	230	7,189	7,645
Resignations	80	938	1,544	385	265	3,212	3,274
Redundancies	25	181	190	244	53	693	837
Dismissals ⁽¹⁾	9	132	466	90	34	731	656
Other departures ⁽²⁾	155	586	1,503	296	698	3,238	3,393

Source: Alstom HRIS.

(1) Calculated on permanent headcount only.

(2) Including retirements, not including disposals and acquisitions.

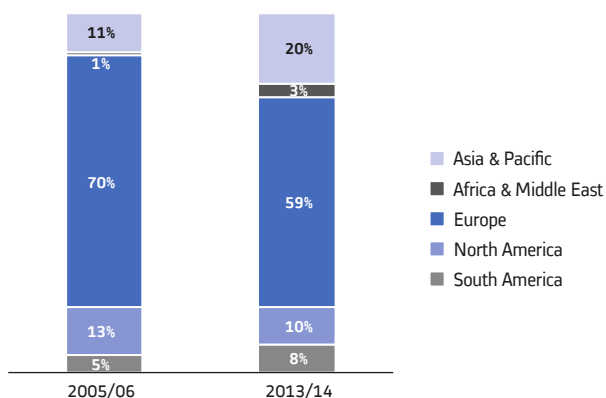
ADAPTING THE WORKFORCE TO THE MARKETS AND ACTIVITIES

At 31 March 2014, Alstom employed 94,719 people.

The priority is to have the competencies needed for the Group's development and to facilitate the integration of newcomers.

The chart below shows the workforce breakdown evolution by region over the past eight years, which demonstrates the development of the Asia/Pacific region, which proportion has nearly doubled.

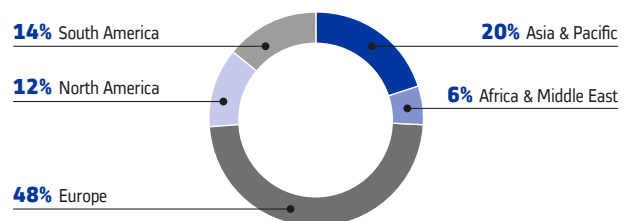
WORKFORCE BREAKDOWN BY REGION (TOTAL WORKFORCE)



Source: Alstom HRIS

Alstom recruited over 8,200 permanent employees over fiscal year 2013/14. It does not face any difficulty in recruiting, due to its reputation and its active relationship and partnership with schools and universities.

RECRUITMENT BY REGION IN 2013/14 (PERMANENT CONTRACTS)



Source: Alstom HRIS

Developing active relationships with universities

As Alstom has recruited over 8,200 permanent employees over the fiscal year, finding the right competencies is key. Relationships with schools and universities are actively managed in more than 35 countries, with a three-fold objective of:

- making Alstom well-known and identifying future employees;
- establishing partnerships, including in research and development;
- participating in the national effort for education and training in the countries where the Group operates.

Alstom has a long-lasting practice of partnerships with universities in countries where it is present. See examples on www.alstom.com.

In addition, Alstom is promoting apprenticeships and welcoming an increasing number of apprentices. Mentors are very involved in the follow-up of the apprentices. Sites such as La Courneuve (Thermal Power) and Reichshoffen (Transport) have already launched initiatives over a number of years to improve the recruitment and training of young people on work-study programmes. In Reichshoffen, the Group hosts an apprentice training centre (CFA) with 23 apprentices as of 31 March 2014. As a whole, more than 850 apprentices were hired worldwide during the fiscal year.

Integrating new employees

Recruitment is followed by numerous actions to facilitate the integration of new employees into their teams.

At Group level, Alstom conducts an induction programme called Alstom Connection, which gathers recently hired managers (between 12 to 18 months of seniority) to learn about the Group's activities and values, meet with senior management, visit Alstom sites and build a first network. During the fiscal year, no sessions were held, as the emphasis was put on individual induction into the teams and activities. Specific events are organised in order to facilitate the employee's integration, such as HR In Motion, a venue for new HR professionals.

In the Grid Sector, the Newcomer's Discovery Kitchen was launched in January 2013 and since then, over 800 new employees have had access to the online induction session, in addition to the welcome day.

In addition, local programmes are designed to facilitate the integration of newcomers. For instance, in India, 47 new engineers benefited from a comprehensive induction programme, the "Young Engineers Graduate (YEG) Integration Programme", to help them have a smooth transition from campus to corporate life. The programme focuses on behaviours rather than technical competencies, and includes a full-day EHS audit to highlight the importance of this matter for the Group. The programme lasts 49 days, followed by structured 'on-the-job' learning. It aims to promote a new generation of technical workforce, build a talent pool and prepare future leaders within the organisation.

REINFORCING THE COMPANY CULTURE

To maintain a high level of employee engagement, Alstom relies on the respect of Business Ethics and Human Rights, as well as on a common culture based on Alstom's values and common tools implemented across the whole Group.

Respecting business ethics

Alstom's culture and reputation for integrity are essential for the Group. Such a reputation can only be built through a permanent benchmark to meet the best international standards and through the continuous strengthening of its ethical rules and procedures, as well as through 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 throughout the Group worldwide. The Group culture embraces all ethical best standards based on the Alstom values: Trust, Team, Action. This culture must permeate the whole organisation, the tone from the top being relayed by each level of the management up to each and every employee.

The Alstom Integrity Programme comprises:

- the **Code of Ethics**, which applies to every employee within the Group. Published in 2001, it was reviewed in 2007 and updated in March 2010. It is available in 22 languages: English, French, Arabic, Chinese, Brazilian-Portuguese, Croatian, Czech, Dutch, Finnish, German, Greek, Hungarian, Hindi/English, Indonesian, Italian, Japanese, Polish, Portuguese, Romanian, Russian, Spanish and Turkish.

The Code of Ethics prescribes essential rules of conduct with regards to the relationships with business partners, Alstom commitments as a socially responsible company, human resources policies and commitment to protect the Group's assets.

In addition, the Code of Ethics details the Alert Procedure which allows any employee or any person or third party in relationship with Alstom to report violations of prevention of corruption, competition and securities and accounting laws and regulations. It was enhanced in July 2013 to add two additional means of reporting: a secure website (www.alstom.ethicspoint.com) and a toll-free hotline, both reachable 24 hours a day, 7 days a week, 365 days a year;

- **E&C Group 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, sales business partners, consulting companies and conflicts of interest. In 2013, two additional Group instructions were released on the prevention of corruption as regards relationships with suppliers and contractors and in joint venture and consortium;
- **training sessions and e-learning programmes** are essential to explain the Group's Ethics & Compliance policy. During fiscal year 2013/14, around 4,800 persons (i.e. a cumulative total of approximately 14,300 people since 2006) participated in a compliance session.

The e-Ethics module related to the Code of Ethics, available in 9 languages, was launched in March 2010. It targets Managers & Professionals for whom it is compulsory. It has been completed by 60,200 employees since its launch;

- a **community of approximately 300 E&C Ambassadors**, all volunteers and coming mainly from the Legal, Finance and HR functions or being Alstom Country Presidents. Their main role is to promote the culture of integrity throughout the Group through E&C Awareness sessions and to be a contact point for questions about ethics and compliance. The E&C Ambassadors have a direct contact with the E&C department which provides them with the appropriate support and tools to achieve their mission. For example, the E&C Ambassadors receive a monthly E&C Newsletter providing them with press articles and ethical real case studies;
- a variety of **internal communication methods** in order to ensure that all employees are well informed about E&C in Alstom:
 - a visible and regularly updated section on Altair, Alstom's intranet, called "Ethics & Compliance", containing not only E&C Group Instructions, but also information on the prevention of corruption and competition law, a monthly newsletter, as well as E&C case studies, advice to employees on how to behave in case of ethical dilemma,
 - regular news in Alstom's weekly newsletter (Newsflash) and piece of news in local internal newsletters (at country or site level),
 - an 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,
 - posters displayed in all locations.

On 12 September 2011, the Alstom Integrity Programme was awarded a certificate from ETHIC Intelligence. Early 2014, Alstom has taken the necessary steps to renew the certificate. This certification is based on an audit of the procedures in various countries and on the recommendations of international and recognised anti-bribery experts.

Alstom is committed to promote ethics and compliance principles in business worldwide. The Senior Vice President of Ethics & Compliance is a member of the United Nations Global Compact Working Group on the Tenth Principle, of the ECOA (Ethics and Compliance Officers association in the USA), of the IBE (Institute of Business Ethics in the UK) and of the ICC France (International Chamber of Commerce).

On a local level:

- Alstom sponsors the Ethos Institute in Brazil and the Centre for Business Ethics and Corporate Governance in Russia;

- since July 2012, Alstom has been taking part in the Principle based initiative for Argentina's Electrical Energy Transportation Industry committed to the prevention of corruption together with other industry players;
- on 26 July 2012, Alstom signed the Corporate Integrity Pledge in Malaysia, witnessed by the Chief Commissioner of the Malaysian Anti-Corruption Commission (MACC);
- in addition, over the 2010-2013 period, Alstom has sponsored the Chair of Excellence of "Law and Business Ethics" of the University of Cergy-Pontoise, in France.

Respect of Human Rights

The respect of Human Rights is one of Alstom's fundamental commitments.

- the very first article of Alstom's Code of Ethics states that, as the Group is a multinational corporation with operations around the world, its high ethical goals require compliance with certain standards exceeding legal requirements. Among others, Alstom is particularly respectful of the laws governing 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 complies with the guiding principles of the Organisation for economic cooperation and development (OECD), the United Nations Universal Declaration of Human Rights, the principles of the Global Compact and those of the International Chamber of Commerce (ICC);
- regarding the Human Resources policy, the Alstom's Code of Ethics states that "it is Alstom's policy to comply fully with the United Nations Universal Declaration of Human Rights and the Fundamental Conventions of the International Labour Organisation. In line with these principles, Alstom applies a human resources policy based on respect for individuals, their dignity, rights and individual liberties, and promotes their involvement in company life. The Group promotes all forms of dialogue with both individual employees and their representatives";
- Alstom is a member of the Global Compact, promoting the respect of human rights within its sphere of influence. Alstom encourages its managers to be involved in their local Global Compact network.

In the day-to-day management of its activities, Alstom strives to strictly comply with its commitments in its sphere of influence.

- Alstom conducts an annual survey to ensure the absence of any incident regarding child labour, forced labour, freedom of association or any kind of discrimination. This year, no incident was reported;
- an internal directive on Individual Data Protection, updated in 2012, states that the Human Resources management is based upon performance and competence using well-known shared processes: these processes should be based on objective data, not on personal factors such as gender, age, religion, ethnic origin, political and philosophical opinions, trade union membership, health, and sexual preferences.

All recorded information shall reflect these principles in pre-formatted fields and/or as free-text. All employees have the right to request access to their own data and to obtain the rectification of such data when justified;

- the charter that Alstom's suppliers and contractors are requested to adhere to, stipulates that they must be compliant with the United Nations' Universal declaration of human rights, the International labour organization's Fundamental conventions, the Guiding Principles of the OECD, the rules of conduct of the International chamber of commerce (ICC) and any other relevant international conventions and national or local regulations, which are applicable to their activities in the country(ies) in which they operate. Alstom's suppliers and contractors must in particular comply with the following rules:
 - elimination of all forms of illegal, forced or compulsory labour,
 - elimination of child labour: Alstom's Suppliers and Contractors must not employ persons under the minimum age required for work and must never support the use of child labour, except as part of an official educational youth training scheme approved by the government,
 - elimination of any kind of discrimination in respect to employment and occupation,
 - compliance with the applicable laws and regulations related to maximum working hours and minimum days of rest,
 - compliance with the applicable laws and regulations related to the minimum level of remuneration,
 - respect for freedom of association for their employees, in compliance with the applicable laws;
 - compliance with the applicable laws and regulations related to employment termination;
- the respect of human rights is one of the criteria examined by the monthly Corporate Risk Committee when assessing the projects: any breach to it may have significant consequences on the feasibility of the project, its financing or implementation, and on the Group's reputation;
- in 2013, Alstom created a new position at Corporate level "Diversity and Equal opportunity" to enhance equal opportunity within the Group.

Sense of belonging

The creation of a common culture is important to hold the Group's employees together and reinforce their sense of belonging. This sense of belonging is founded on:

- a common culture based on the Group's values and its ethical principles (detailed above):
Alstom's three core values – Trust, Team, Action – contribute to the sense of belonging. They are explained *via* awareness-raising actions and training at local level, supported by an e-learning programme. Since October 2011, 5,933 employees have been involved in this e-learning programme of which 1,585 in the fiscal year.
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 HR team.
Since fiscal year 2012/13, the performance review process has included a specific focus on the 'Values into Practice'. Not only do the manager and the team member review the global performance

in the position but they also discuss how the team member has used and implemented Alstom's values in daily activities. As part of the performance review for the current fiscal year (that will end in April 2014 as per the HR cycle) and after in-depth discussion with the employee, the manager evaluates how values are put into practice.

- an action plan to encourage their involvement in the life of the Company – some major actions are detailed below – measured through specific indicators.

Involving employees in the company: specific actions

Employee involvement and motivation are also key for Alstom. The Group's strength is based on the dynamism and creativity of its employees and several actions have been taken to encourage them.

Well-being policy

In several countries, specific programmes are in place to improve employees' health and well-being at work. A few examples can be found on www.alstom.com.

Remuneration schemes

Remuneration evolution

Due to the Group's diversity, activities in numerous countries, influence of local inflation and economic situation, no comprehensive indicator has yet been developed. Alstom's policy is to review the employees' base salaries every year, and to have open negotiations with employee representatives where they exist.

Remuneration schemes based on performance criteria

Short-term incentive scheme

Alstom's annual short-term incentive scheme is based on two performance factors: financial 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. More than 32,800 employees (out of which 85% are managers) benefited from this remuneration scheme at 31 December 2013.

As safety and quality are objectives which the company wishes to develop and reinforce as well as sustainability performance, the variable remuneration of a number of the top management teams includes related indicators. Depending on the Sector, this may represent up to 20% of the variable remuneration.

Profit-sharing

Alstom's policy aims to recognise collective performance. Profit-sharing schemes are in place in 13 countries (namely France, Brazil, Canada, Chile, China, Croatia, Finland, Ireland, Italy, Mexico, Poland, the UK and the USA) covering about 52,000 of the Group's permanent employees, according to the Alstom social survey conducted in 27 countries covering 91% of the workforce. For fiscal year 2013/14, a total of 40,000 employees received a payment under a profit-sharing plan.

The profit-sharing schemes are often calculated on agreed criteria, including the injury frequency rate reduction or safety-related indicators such as the number of general safety inspections (Grid in France). These schemes also include business-related indicators such as the reduction of waste, and quality-related points.

Employee shareholding

Since its initial public offering and first listing, the Group has implemented five capital increases reserved for employees and a plan to allocate free shares to all employees (May 2006). At 31 March 2014, the current and former Group employees held 1.27% of the Alstom share capital, either directly or through mutual funds.

Communication campaigns have been launched around the employee shareholding programmes. These programmes include a retention period, at the end of which a new communication exercise towards the participants needs to be deployed.

Resignation rate

RESIGNATION RATE FOR EMPLOYEES ON PERMANENT CONTRACTS IN EACH REGION

	2011/12	2012/13	2013/14
Europe + Africa/Middle East	4.10%	3.08%	2.95%
Asia/Pacific	7.96%	5.75%	5.84%
Americas	4.41%	4.32%	4.31%
TOTAL	4.92%	3.82% (*)	3.73%

Source: Alstom HRIS.

(*) Data adjusted vs. last year's registration document.

The resignation rate is apparently stabilising, although the situation varies widely from country to country.

Absenteeism

A common definition of absenteeism has been put in place across the Group and the data is consolidated for the first time this year.

The reported absenteeism rate was 2.4⁽¹⁾ at end of March 2014.

Source: Alstom.

Employee engagement survey

In order to foster the employees' involvement, Alstom has launched surveys at Sector level to measure it. These surveys lead to action plans where needed which are communicated by the management.

Alstom deploys surveys focusing on employees' engagement which provides indications about the social climate among other indicators. Those surveys are not done at Group level due to Sectors' specificities; each Sector can deploy its own survey. The target of the surveys is to measure employees' opinion and to assess the employees' engagement on the Sector's decisions (vision, roadmap and strategy) in order to implement appropriate action plans.

Alstom Cultural Exchanges (ACE) programme for employees' children

Launched in February 2014, the Alstom Cultural Exchange Programme (ACE) is a CSR initiative implemented as part of the Group's well-being and diversity policies. The objective of the programme is to help employees around the world send their children abroad, hosted by a family of their colleagues, for linguistic or cultural purposes. Alstom believes education is crucial for young people as well as discovering new cultures, learning other languages and getting to know other countries.

The ACE programme is supported by an intranet platform where employees can find offers and/or post their own. A discussion forum enables to prepare the exchange.

Indicators to measure involvement

Regular indicators to measure motivation are the resignation rate at Group level and opinion surveys at Sector level.

Resignation rates, which also reflect the general employment situation in each geographical area in which the Company operates, are one of the criteria used to determine the level of satisfaction of the Group's employees. The rates are closely monitored at both Sector and regional levels.

Engagement surveys at Group level will be conducted regularly as part of the HR strategy that includes *Engagement* of one of its four pillars. It is considered to include, in the Sector surveys, common questions in order to get a global view.

Thermal Power

In March 2014, Thermal Power launched its second engagement survey (the previous one was in 2013) targeting all its employees; the response rate was up to 80% (compared to 69% the previous year). In order to enable all employees to participate, specific IT access for employees without a computer (mainly blue collars) was organised. This survey, like the previous one, will lead to action plans which will be adapted to each team.

(1) Absenteeism Rate definition: Number of days lost due to employees absences related to 1,000 hours scheduled to be worked by entire workforce for the same period (example for a country where the annual working hours are 1,800 hours this is equivalent to 4.3% people absent).

Grid

Employee surveys took place in 2006, 2008, and the most recent employee survey was in June 2011, with a 63% response rate. Four improvement domains have been identified and action plans were launched in February 2012: enhance a quality culture; foster direct communication between managers and their teams; improve the competitive image perception, develop individual skills and develop reward through remuneration.

Transport

The Transport Sector conducted an Employee Opinion Survey by all its employees in October 2012 with a 62% response rate. Actions were launched to improve in the CSR, Sourcing, Engineering, Information Technology domains as well as concerning Russia.

Company-wide Corporate Social Responsibility survey

In November 2011, Alstom conducted a survey targeting 60,000 employees in seven languages and focusing on measuring employees' awareness of CSR and sustainability matters, their knowledge of these topics in general and of Alstom's performance. The employees were also asked to propose suggestions for action and express willingness to actively contribute (for more details about results, please refer to Registration Document 2011/12).

The awareness campaign, which was the major action plan from this survey and started in 2012/13, continued this year through:

- the endorsement of the CSR policy by the Top Management with a renewed wide internal communication by all employees;

- a reinforced communication towards both internal and external audiences through:

- a monthly CSR newsletter, distributed to all employees
- five additional short animated feature films enabling viewers to grasp complex topics in a light-hearted way, result in a total of 10 videos (available on www.alstom.com) focused on:
 - eco-cities,
 - eco-design,
 - support to local communities around the company's activities,
 - solutions to reduce CO₂ emissions,
 - sustainable sourcing,
 - ethics and compliance,
 - sustainable mobility,
 - eco-friendly buildings,
 - the stakes of hydropower,
 - CSR policy;

- a CSR e-learning module targeting all employees, available in English, French and Spanish;
- a CSR presentation and a CSR factsheet, for employees to use internally and externally.

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 to the Group are crucial to its overall success.

A new Talent Management organisation was announced in July 2013. This organisation aims to support the Group in its talent development initiatives with a specific focus on diversity and talent pool management and development while optimising the Alstom ways of working.

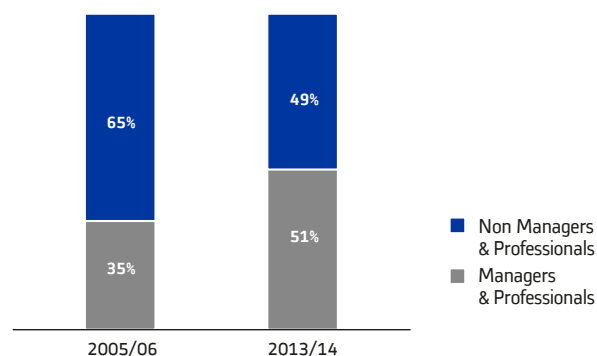
It is based around four pillars:

- community management;
- global recruitment;
- global leadership;
- learning solutions and Alstom University.

This global team has people based in India, Singapore and France (Levallois headquarters). It works in close relationship with the Talent Management teams in both Sectors and Countries.

Evolution of competencies between 2006 and 2014

WORKFORCE BREAKDOWN BY CATEGORY



Source: Alstom HRIS

Career management

Career development programmes

The HR Strategy supports the objective of one HR organisation, one Alstom Culture. Four pillars have been identified, e.g. Staffing, Knowledge, Engagement and Talent, and career management is a key target: Alstom encourages each employee to manage his/her own career in collaboration with his/her line manager, HR manager, and using the tools provided. This allows each employee to play a key role in his/her own performance and in his/her advancement. This policy is founded on a strong sense of commitment.

All employees are treated equally on the basis of their skills, in particular regard to employment, recruitment, talent identification, mobility, training, remuneration, health and safety, which rely on common processes and policies.

Alstom Jobs Online

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 talent and mobilising all employees around shared values (Trust, Team, Action) that are in line with the Group's strategic development.

All employees from more than 80 countries can access more than 12,500 open positions available in Alstom worldwide over the year – around 3,300 still open at March 2014.

Specific development programmes

Development programmes have been built for different communities, which address three different employee populations within the Group: Technical Experts, Functions, and Managers.

Technical expertise management

The high-technology products developed by Alstom, the need to be at the edge of the most sophisticated techniques and researches, have led the Group to have a particular focus on its Technical Expert community. Most experts are recognised worldwide as specialists in their domain. They have a duty to develop and maintain their expertise as well as to share it with internal and external specialists. That is why they often participate in international conferences, and publish articles in specialised magazines.

The Expert career path is as valuable as the management career path and the group of experts forms a specific community within Alstom.

Experts and Principal Engineers are organised in 81 critical technologies covering the most important technical disciplines used in the creation of the Alstom Products.

Thermal Power

- The Expert programme, covering 10 Senior Experts, 132 Experts and 430 Principal Engineers, promotes the high level of expertise that some employees have acquired.

- In the Thermal Service (TS) activity: the creation of *TS Technical Communities Career Management Platform*, is a joint initiative between the Engineering Office, R&D and HR. This is the first information platform of its kind dedicated to engineers in the Power Sectors.
- In the Engineering Community, 33 Engineering Fields have been identified and validated cross businesses. This enables community analysis as a basis for knowledge exchange and workload balance amongst Engineering Centres at different competency and capacity level.
- Scientific Disciplines (SD) community consists of 21 SDs established in 2007. Appointed Sector Mentors regularly lead workshops and provide platforms to coordinate technical training sessions, discuss technical problems and seek solutions. In 2013, the 21 SDs have been updated to be used in all Sectors.

Renewable Power

The Sector has launched a programme to secure "Expertise transfer practices" covering the three activities (Hydro, Wind and New Energies) around four domains of expertise which are of interest either by their magnitude or by the ways to capture or deliver the knowledge.

Grid

The Sector technical expert community now counts 8 Senior Fellows, 22 Fellows, 123 Senior Experts, 380 Experts and 522 Specialists coming from all product lines and all regions across the world.

Transport

The World Class Engineering Process launched in 2000, enabled to identify and develop within the engineering teams 28 Master Experts, 296 Senior Experts and about 1840 Experts.

In 2013, leveraging a Thermal Power practice, Alstom created a Group-wide single reference system consisting of 21 scientific disciplines, each comprising four or five sub-disciplines. As presented above, more than 3,000 experts are currently part of a Sector Technical Expert programme. Each of them has been assigned one or two scientific discipline. It complements the work already done around the critical technologies. The Group is now in a position to use its HR Information System to find out which experts work in a given scientific field in a very simple and fast manner. It eases and fosters cross-Sector collaboration around these scientific disciplines, but the journey around Technical Expertise management is not yet completed. Further solutions and programmes are still being developed to continue providing customers with innovative products and solutions based on cutting-edge technology.

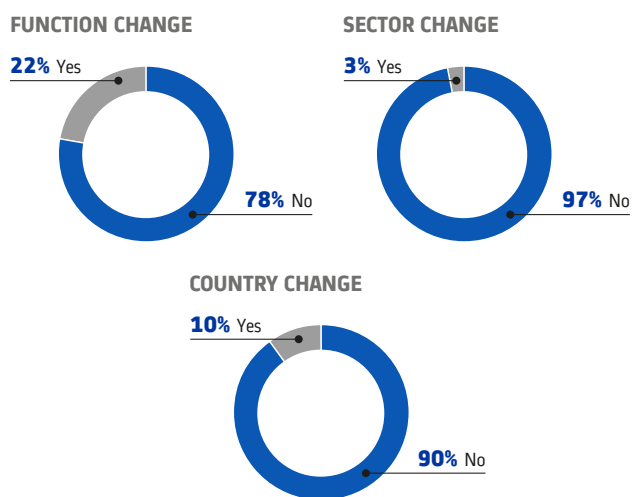
Function development programmes

The Group continues to deploy a strategy of career management for several core functions: Finance, HR, EHS, Legal, and Communication, in order to develop functional expert communities. These communities are led at Corporate level. In addition to the management of communities, "Operations" have been considered and a map of competencies with associated career paths has been designed in the Quality function. A new Quality competency model has been issued. The operational communities will be led by the different Sectors but will be deployed through a cross-cutting approach.

Managers' development programmes

As regards Management and Leadership skills:

- the "Future Technical" Leaders Program was designed together with MIT Sloan with the first delivery in March 2014 for 20 participants. This programme focuses on developing high potentials for technical leadership positions in R&D and Engineering functions;
- the AMP ("Accelerated Management Programme") entered its third year with a focus on trainees from BRIC countries who represented 60% of the participants in this programme. A new programme will be launched in 2014 maintaining the focus on diverse trainees (female and non-Western European). The objective is to focus on "Leadership": Leading self – leading others – change leadership and Transitional Leadership. 60 employees will have been trained this year through this programme. The Group also monitors the previous participants' evolution. Below an example of results for the first session:



Source: Alstom

- the AMS (Advanced Management Seminar) designed to prepare future top executives has been continued with one session gathering 41 managers among which eight of them are women. In 2014, it has been decided not to perform this programme but to capitalise on former participants' development;
- in the Grid Sector specifically: the FMP ("Future Management Programme") entered its second cycle of implementation in Eastern Asia/Pacific and first cycle in Near/Middle East. Other similar programmes were initiated in Germany, the UK and Brazil aimed at preparing future Line Managers.

Career path management

The career path management relies on the combination of three processes which are articulated in the People Management Cycle (PMC) launched each year on 1 March. The PMC adapts to the business priorities and improvements are made.

For this year PMC, Alstom proposes managers and employees to follow and e-learning module focusing on "Performance Management", new definitions of potential and a new structure for development plans.

Annual performance interview

Objective: all employees benefit from an annual performance interview.

Indicator: number of managers and professionals with an annual performance interview.

2011/12	2012/13	2013/14
38,800	42,500	43,900

Source: Alstom HRIS, round figures.

The 2013 and 2014 numbers represent only part of the final number, as the time frame to complete the performance review process has been moved to March and April.

All managers, engineers and professionals are covered by this process on a mandatory basis, which includes the setting of objectives and a development plan. To increase the efficiency of this process, the training of managers related to people development has been strengthened. The process is optional and recommended for all other employees.

As previously mentioned, the inclusion of a discussion about the Alstom Values into Practice in the 2013 process is an opportunity to refresh the knowledge of managers about the performance review process.

People Reviews

People Reviews allow to match the current and future needs of the Group (based on a competency mapping) with the available competent resources, and to set career paths with a cross-cutting vision.

The Group includes most of its managers in people reviews carried out in sites, businesses, Sectors, functions and the Group as a whole.

Internal mobility

Objective: appoint at least 60% of the Group's top managers through internal promotion.

Indicator: internal promotion rate of executive managers (1,596 people).

2011/12	2012/13	2013/14
85%	80%	75%

Source: Alstom HRIS.

In most large countries where Alstom is present, monthly resourcing forums are held to better identify the available competencies, the business needs and to facilitate cross-Sector moves.

In addition, thanks to the deployment of e-Talent (common resourcing software), the number of vacant positions posted on the intranet website increased from 20% in 2010 to 43% in 2011. The number of open positions decreased to 33% in 2012 (due to the experimentation of the use of social media to identify and attract candidates) and amounts to 48% in 2014. The objective is to reach 60% by 2015. The posting of vacant positions brings transparency, easier relocation, new career opportunities.

PERCENTAGE OF VACANT POSITIONS INTERNALLY POSTED

2011/12	2012/13	2013/14
43%	33%	48%

Source: Alstom HRIS.

Talent management

Objective: shape the competencies that the Group needs, taking into account the employees' expectations.

Indicators:

- ratio of employees trained during the fiscal year;
- average number of training hours per employee.

	2011	2012	2013 (*)
Percentage of employees who have had training	74%	68%	67%
Average number of training hours/employee	19 h	19 h	15 h
Total number of training hours	-	-	1,286,445 h

(*) Perimeter: social survey conducted in 26 countries representing 93% of the workforce.

Alstom University (AU)

In July 2013, AU and Talent Management merged in one single department "Learning Solutions and Alstom University" which is one of the four pillars of the Talent Management organisation.

The new vision is to provide the right learning solutions to build "One Alstom" and develop people in order to serve the business goals.

The new missions are thus to:

- define and ensure the consistency of the global learning strategy linked to the Group's strategic objectives;
- support the identification of training needs;
- build and manage the global learning offer;
- design and deploy learning solutions in order to develop employees and serve Alstom goals.

In order to be more efficient, the objective is to have a holistic approach of learning within the Group.

Objective: design and conduct common training for all Group activities.

Indicator: number of trainees in Alstom University campuses.

2011/12	2012/13	2013/14
8,231	15,817	11,191

Source: Alstom University.

Alstom University is managing also several projects in order to achieve two goals: put in place a "lean learning" approach and develop a new learning mindset within Alstom, which means:

- defining the new learning organisation within the Group;
- building one Alstom Learning offer structured in three levels: Group, Sector, Cluster/Country. The Alstom Learning offer will be communicated in September 2014;
- deploying curriculum: in order to localise the deployment of several Alstom University programmes in the main countries;
- identifying, developing and encouraging internal trainers in order to encourage employees to share their knowledge. Being an internal trainer has the added benefit of developing the trainers' skills and providing them with an opportunity to learn.

2013 achievements

Face-to-face training

- number of sessions: 770;
- in addition, Alstom University organised 190 test sessions for the delivery of "EHS passport" to more than 2,000 employees;

Distance Learning training

- number of Distance Learning licenses activated: 814;
- number of virtual sessions: 105, covering 1,258 trainees;
- number of trained participants e-learning customised by Alstom: 49,771 with E-ethics module (over 10,000) for the promotion of the Alstom's Code of Ethics and values, and High Risk Activities module (over 34,900) for the prevention of accidents.

In the Grid Sector, Competency Development Programmes have been launched for several functions: EHS and Sales. This aims to reinforce performance and operational excellence, as well as to develop individual competencies and careers. The programme starts with an online assessment of core function and technical competencies, and in comparison against the required levels, a gap analysis is then conducted between the employee and their line manager. The programme is supported by various developmental actions at individual and collective level.

Alstom collaborative way (ACW)

The "Alstom Collaborative Way" (ACW) initiated in 2008 had played a crucial role in the development of a culture based on sharing and learning amongst employees. The implementation of collaborative tools for communities of experts has allowed the promotion, development and sharing of best practices and know-how.

ALSTOM COLLABORATIVE WAY DEPLOYMENT

	2011/12	2012/13	2013/14
Telepresence: average hours/month per site	77 h (21 sites)	52 h (33 sites)	37 h (46 sites)
Web conferences	54,614 meetings 223,951 participants 32,000 accounts	82,000 meetings 328,088 participants 72,000 accounts	398,013 meetings 1,207,398 participants 93,519 accounts
Wikis	89	157	111
SharePoint collaborative platform	Community Site Project Site Team Site MySite	144 159 322 17,000	241 254 537 25,600

Source: Alstom University.

During the fiscal year, the usage of webconference has been generalised, therefore their increasing number has increased by 385% and the number of users has increased by 268%, enabling to reduce travel costs and to accelerate the decision-making process.

Knowledge management/transfer

Given the high technology product environment in which Alstom is doing business, as well as in the context of high competition and ageing workforce in some regions, Knowledge Management and Transfer is a critical activity. Since 2008, the Knowledge Transfer (KT) project targets to "Improving Alstom's capability to transfer knowledge in its global network in order to build fully operational local units on time, where the market is". A common framework (KT Handbook with model, process, guidelines and tools) based on internal good practices and lessons

learned had been deployed as well as a collaborative platform (KT WiKi platform) connecting the community of managers, experts, specialists and key employees dealing with knowledge transfer.

In the Thermal Power and Renewable Power Sectors, the handbook was distributed to 1,900 managers in April 2012 across all businesses. This year, 52 KT training sessions on the processes and tools have been deployed for more than 390 managers (65% in receiver units in BRIC countries). More than 430 KT Community members are connected through the KT collaborative platform.

Currently more than 100 active KT projects are running with specific gate reviews and quarterly reviews; 13 KT projects have been closed through the 'closure gate review'. Most projects are delivered in China (48) and India (32).

EQUAL OPPORTUNITY

In September 2013, Alstom appointed an HR executive to lead its diversity engagement and initiatives. The roadmap as well as the targets proposed by the Diversity Steering Committee is being submitted to the Board for approval. These are the common KPIs for all countries. Country-specific diversity action plans are under preparation with a two-year roadmap taking into account the global diversity one. The plans will cover the six dimensions of diversity: nationality, gender, age/generations, educational background, social status and ability/disability. The plans must include a three-year plan to balance salary between men and women (already in progress within the current salary review process). In order to foster the awareness and plan implementation, a community of country diversity ambassadors is being created.

It is to be noted that, before this more visible action, Alstom had already started to enhance and promote diversity in its workforce and the past years initiatives have been continued during fiscal year 2013/14.

Promoting gender equality

It is the Group'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 HR policy but no target percentage of women has been set.

The question of professional equality between women and men has been at the heart of Alstom's social and HR policy for many years. It is nevertheless noteworthy that the training path leading to train the needed skills in most of Alstom positions are attracting mainly men. The proportion of women in those *curricula* is about 15%. This prevents from a quantitative meaningful comparison. Therefore, Alstom gives great importance to optimising the integration of women in its activities and offering them career opportunities. In order to reinforce the diversity of its population, the company acts at local and Group levels. In addition, through its local presence and offer of high-quality jobs and career development, the Group is a strong contributor to the development of the countries in which it is located. Despite those efforts, the expected results of Alstom's action plan have not yet fully materialised.

Started in April 2012, discussions with the European Works Forum and the European Union representation to reach an agreement about Equal Opportunities within Europe have been continued.

INDICATORS RELATED TO WOMEN BY CATEGORY

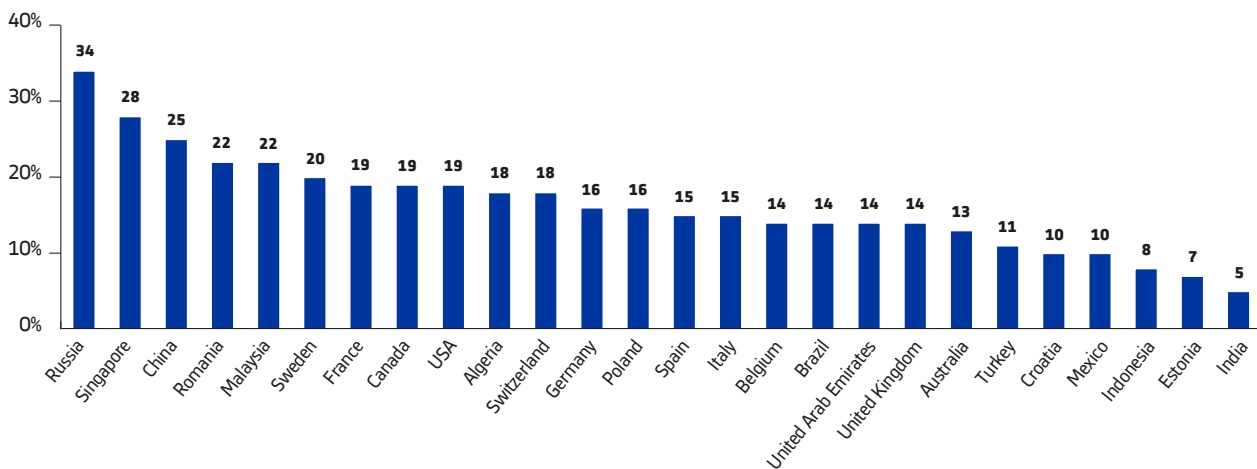
	2011/12	2012/13	2013/14
Percentage of women in the workforce	16.0%	16.0%	16.3%
Percentage of women: management	15.0%	15.3%	16.2%
Percentage of women: executives (1,596 people)	11.0%	11.6%	11.8%

Source: Alstom HRIS.

The proportion of women in the headcount varies greatly between countries.

The Group has no specific targets for the percentage of women in its total workforce but it develops an active policy to favour their integration.

PERCENTAGE OF WOMEN PER COUNTRY (AS OF 31 DECEMBER 2013)



Source: Alstom social survey conducted in 26 countries, covering 93% of employees

Supporting initiatives dedicated to women promotion

To increase female applications, Alstom promotes industry careers among female students in several countries, in partnership with relevant associations.

- in the USA, Alstom has established numerous partnerships and participated in many programmes and activities that demonstrate its commitment to diversity and equal employment opportunities, and more specifically for women. Alstom is a member of the Equal Employment Advisory Council (EEAC), the nation’s largest non-profit association of employers dedicated exclusively to the advancement of practical and effective programmes to eliminate workplace discrimination. Alstom is a member of the Industrial Liaison Group (ILG), which promotes affirmative action and equal employment opportunities by working closely with the US Government Office of Federal Contract Compliance Programs and Employment Opportunities Commission to:
 - advocate the positions and viewpoints of the constituents,
 - comment and provide feedback on Regulatory and Legislative initiatives,

- educate the constituents on developments regarding equal employment opportunity, affirmative action and related regulatory changes;
- in France, a new partnership has been started with “Déployons nos Elles”, a non-profit organisation which promotes industrial jobs in high schools by organising exchanges with engineer women and visits of workshops. The “Elles bougent” initiative has been continued;
- the Group is associated to the “EVE” programme, a women’s leadership programme that helps “increase one’s performance and become an actor of change”.

Initiatives to fight discrimination

Concrete achievements have been accomplished in order to fight discrimination and harassment. The existing action plans and programmes have been continued. For further details, please refer to previous Registration Documents.

In France, agreements have been signed with the employee representatives to foster the fight against discrimination covering more than 2,800 employees.

Equal opportunity policy at Group level

In line with the already launched initiatives such as the WEB programme (Women Empowerment for Business), or the "EVE" programme (for more information, see previous paragraph) Alstom has started a project to enhance diversity in its workforce. The project is implemented through action plans in each country under the leadership of the country HR Director and is coordinated at Corporate level.

With regards to disability, Alstom has started to develop a Disability policy focusing on five complementary areas: job access and maintenance in employment, raising awareness, accessibility to premises and information, and partnership with the sheltered work sector. Each entity is encouraged to integrate its initiatives into this process. Each year, Alstom organises internal training sessions to help HR team members better understand various situations with disability and to help prepare job interviews and the integration of people with disability.

In addition, Alstom encourages the development of its parental policy by starting systems of assistance to find childcare solutions or inter-company day nurseries whenever possible (for example in La Courneuve in France).

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. Examples can be found on www.alstom.com.

Alstom has conducted a survey in 26 countries representing 93% of the total headcount, in order to assess possible salary discrepancies between men and women. The results are difficult to interpret for a number of reasons, in particular because of the very limited number of women in certain categories and of differences in positions and seniority.

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.

The following table shows the results of a survey conducted in 26 key countries, to measure the integration of people with disabilities in the total workforce. The data are significant only where local regulations have set minimum quotas.

PERCENTAGE OF EMPLOYEES WITH DISABILITIES

	2011	2012	2013
France	3.4%	3.9%	3.5%
Germany	5.5%	5.5%	5.6%
Italy	2.7%	2.4%	2.4%
Spain	0.4%	0.9%	0.6%

Source: Alstom social survey conducted in 26 countries representing 93% of the Group's total headcount.

For information, this report is available on the Internet site under a version accessible to the visually impaired.

Promoting cultural diversity

Alstom is fully aware of the strength resulting from the large number of nationalities, cultures and approaches represented in its employees. Specific action plans have been developed at local level to take advantage of this asset.

Two indicators measure diversity:

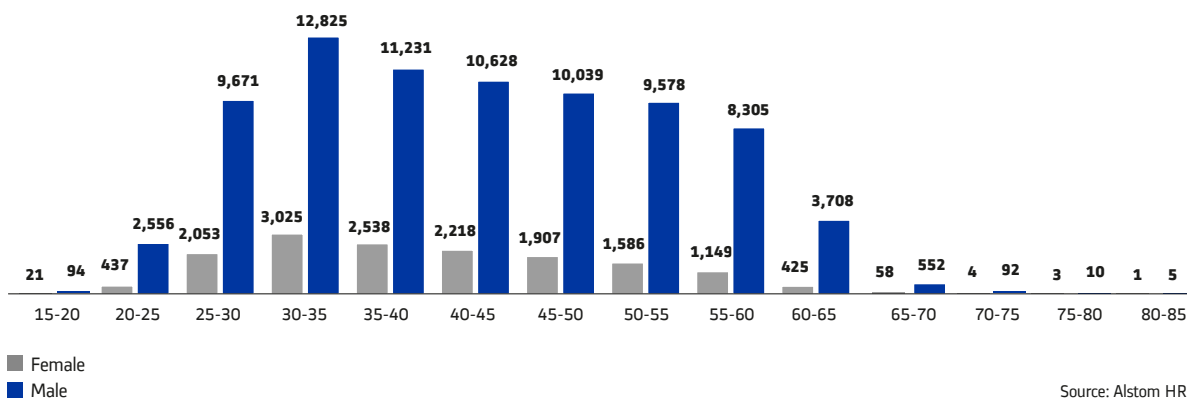
- the number of French senior executives has declined from 52% in 2006 to 45% in 2009 and 40% at 31 March 2014;
- the number of expatriates decreased from 946 at 31 March 2012 to 848 at 31 March 2014, as part of the Group's effort to empower local managers.

Actions and participations to bodies and organisations targeting the promotion of diversity have been continued in 2013/14. For more details, please consult www.alstom.com.

Managing senior careers

Age is obviously not a discrimination criterion. According to the chart below, employees aged over 45 account for around 40% of the Group's headcount. On a more general view, the women/men breakdown vs. age is identical.

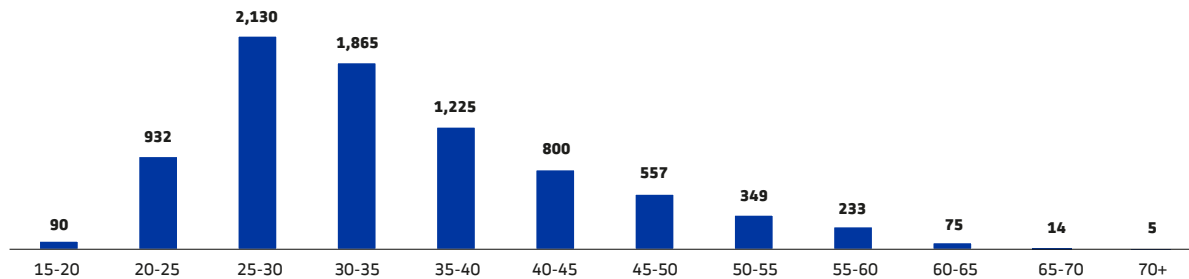
AGE PYRAMID BY GENDER (TOTAL WORKFORCE) – MARCH 2014



Source: Alstom HRIS

Besides, 1,233 people aged over 45 were hired over the fiscal year, corresponding to 15% of the new permanent recruits.

AGE PYRAMID OF NEW HIRES 2013/14 – PERMANENT CONTRACTS



Source: Alstom HRIS

EMPLOYEE RELATIONS

An internal survey, conducted in 26 countries and representing 93% of the Group headcount, showed that 81% of the Group's employees are covered by a national or intra-company collective bargaining agreement.

Collective bargaining agreements

Alstom's Management and employee representatives work closely together at all levels within the Group. The European Works Forum (EWF) met in various formats: seven select committees, two regular plenary sessions, three extraordinary plenary meetings, 14 meetings of four working groups and two focused on equal opportunities. The exchanges enabled to share the business situation and the impact on the workforce, in the frame of the agreement related to the Anticipation of Change and Evolution signed in February 2011. This agreement between Alstom and the EMF (European Metalworkers' Federation) is based on the good practices of countries, such as the workforce and competency planning in France, temporary work-time reduction in Germany or geographic mobility in Italy. The objective is to safeguard employment, accompany the redeployment of employees, increase employee competencies and organise the social dialogue at European, national and local levels.

Many agreements related to salaries, working time, medical care, restructuring and profit-sharing were signed at local level with the employee representatives during year 2013.

The list of the agreements signed in 2013 is available on www.alstom.com.

Management of restructuring impacts

Alstom strives to limit the social impact of decided restructurings. The principle driving the Group's policy is: "nobody is left to cope alone with an employment problem in case of restructuring". In February 2011, Alstom and the EMF signed an agreement related to the Anticipation of Change and Evolution (see above description). The restructuring plans therefore followed this guideline.

In October 2013, the Group announced 1,300 job losses mainly in Europe. The implementation of the accompanying measures is being negotiated with employee representatives according to the 2011 agreement guidelines.

LENGTH AND ORGANISATION OF WORKING TIME

Organisation of working time

Work practices at the Group's industrial, commercial and administrative sites vary greatly depending on the site, type of activity, geographical location and local legislation.

In France, a total of 18,069 employees, 8% of the employees work on 2x8 shifts, 3% on 3x8 shifts and 1% on weekend shifts.

Overtime

Overtime refers to hours worked beyond the legal limits set by the relevant national legislations. 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 24 hours/per employee for calendar year 2013.

RELATIONSHIPS WITH EXTERNAL STAKEHOLDERS

RELATIONSHIPS WITH CUSTOMERS

For Alstom, customer satisfaction is a key priority. In this respect, the Group has put in place procedures to better anticipate the needs of its customers. These procedures must be assessed per Sector, as they correspond to different markets and product specificities. However, in all Sectors of the Group, relationships with customers are addressing the following objectives:

- understand customers' expectations and get their feedback through regular surveys and related improvement action plans;
- build a stronger relationship with them through regular events, technical meetings with groups of customers, "customer clubs" around a product, etc.;
- make them familiar with Alstom products and solutions and help them extract the best value through technical trainings provided either at the customer premises or in dedicated Alstom training centres.

The sections below give more details of the way each Sector deploys its customer relationship policy.

One common action covers Thermal Power, Renewable Power and Grid Sectors: Alstom's *Conseil Stratégique*. This yearly CEO-level event that has existed since 2010, was formally an Alstom Power event but, following the integration of the Grid Sector (2010) and the creation of the Renewable Power Sector (2011), became an Alstom Corporate event dealing with Energy. The top-30 customers from all around the globe are invited by the Group to discuss long-term *scenarii*. Some external stakeholders/experts also come to give their vision of the stakes in the energy world for the next decades. The *Conseil Stratégique* is limited to thirty customers and thirty Alstom top-managers in order to create an intimate event to discuss non-everyday business topics.

In the Power Sectors

Alstom Power Sectors are dedicated to building customer relationships based on trust and mutual understanding.

The Global Power Sales organisation, based in the countries, covering both the Thermal Power and Renewable Power Sectors, aims to be close to its customers, in order to better understand their needs and requirements and be in a position to answer in a timely manner. Global and Key Account Managers ensure a close and long-lasting relationship with these customers. The "One Face To the Customer" concept ensures the coordination of business activities and thus a better answer to customers' expectations and satisfaction. In addition, the following actions are carried out:

- for the past eight years, Alstom has organised regular **customer satisfaction surveys** to which nearly 500 people answer each time; the latest one was conducted in 2013. Results are analysed, working

groups are put in place to define and implement action plans to increase the satisfaction level. Actions implemented following the 2011 survey are already showing results. Customers are provided with a feedback on their assessment. Customer satisfaction will be measured again in 2015 for the fifth time. Customer satisfaction surveys are also conducted at business level during and following the completion of most projects;

- a new global "**customer intimacy**" programme has been designed and implemented, aiming to understand how best to work together in the future and strengthen the relationship between Alstom and its customers by building mutual trust, while ensuring a joint vision of the future to open up more business opportunities. Some pilot actions took place in 2012/13 and it is now fully deployed. To further demonstrate its commitment to improving the quality of its relationship with its customers, Alstom Power has launched a Customer Charter, consisting of ten commitments to which employees are adhering;
- **working groups** comprising customers and Group experts discuss specific products and technologies. Sharing views and experience, particularly with regards to technical expectations, is extremely useful for Alstom to improve existing products and develop new offerings;
- **technical events** such as the Clean Power Days, Product Roadshows and Technical Seminars are organised worldwide, to encourage technical exchanges with customers and technical associations;
- both Power Sectors of Alstom propose a wide range of **training courses** to help customer getting familiar with their products. These trainings take place in dedicated training centres, but Alstom also offers on-site customer operation and maintenance training. For some of them, mobile power plant simulators are being used to enable operators to learn to respond to a variety of situations and to train them to operate power plants during the construction phase of a project.

In the Grid Sector

The Company aims to be recognised as a reference in grid performance, developing long-term relationships with its customers based on trust and understanding.

In 2013, Grid further put the customer at the centre of its processes through:

- the set-up and integration in the customer relationship management (CRM) of dedicated Transactional or Point Of Contact surveys which take place at delivery, erection & commissioning or other key project milestones;

- the new Act for Customer Trust (ACT) key performance and customer satisfaction indicators, reflecting what customers value: respecting commitment, shortening resolution lead time and minimising customer effort.

A few examples of actions:

- in addition to local actions the Grid Sector carries out yearly **customer quality surveys** that cover various customer satisfaction questions with 20,000 contacts worldwide. These surveys also include customers' perception of Grid's sustainable development performance. Customers' negative feedback is assessed on a one-to-one basis through a customer call-back process and is recorded in ACT if necessary. It is analysed through management meetings to define Grid's improvement plans;
- the Grid Sector strengthens customer intimacy through **Key Account Management** (between 150 and 180 Key Accounts which cover 80% of the business including utilities and industries). The mission of Key Account Management is to promote and develop customer intimacy to ensure customer loyalty and increase customer satisfaction. A yearly Key Account Plan ensures in-depth account review, including interviews with key customers to obtain feedback on cost, quality, delivery, service and relationships. The information is documented and reviewed to create clear action plans for each individual key account, used to fine-tune strategy and to develop tailored products and services. In a fast-moving international environment, Key Account Management regularly holds customer intimacy activities for each Strategic Key Account to better understand the customer's business, develop joint solutions and evaluate new technology;
- the Grid Sector also regularly holds **User Groups** worldwide in the fields of Network Management Solutions, Air-insulated Switchgear and Gas-insulated Substations. For instance, in 2013 the Network Management Solutions division held three User Groups that were attended by nearly 450 customers covering all regions. User Groups allow installed-base customers to exchange views with peers, discuss with Alstom experts, and keep abreast of the latest trends and developments in the industry. By regularly listening to customer feedback during User Groups, Alstom gains unique insight, which helps us ensure that the Grid Sector's solutions evolve with the needs and challenges of its customers. Furthermore, User Groups offer Alstom an opportunity to display its latest products and solutions, allowing its experts and sales teams to expand the customer base, develop relationships and identify business opportunities. For example, in November 2012, the Air Insulated Switchgear division demonstrated in Barcelona its digital substation technology to 80 customers from 35 countries. The Gas-insulated division showcased in Dubai its latest developments in terms of substations and digital options for smart grids in front of 180 delegates from 52 companies;
- the Grid Sector is an **active member of the CIGRE** (the International Council for Large Electricity Networks), where international experts exchange knowledge, share best practices and discuss the future of the power grid;
- finally, the Grid Sector also offers **technical training** through its Technical Institute to accompany customers throughout their equipment lifetime. A comprehensive network of 20 training centres worldwide ensures local accessibility to expert technical knowledge

which is transferred through a proven pedagogical approach by a community of 200 certified trainers or *via* 40 e-learning modules. During the past year, over 20,000 training days were held around the world.

In the Transport Sector

The Transport Sector aims at sustaining a continuous relationship with its customers through all stages of their buying cycle – from business development to after-sales. For example:

- in 2013, a modern **Customer Relationship Management (CRM) tool** – called "wall.C" – was deployed across the Sales, Strategy and Marketing teams, encompassing over 500 employees. This first version of the CRM tool supports management of Accounts, Business Opportunities and Customer Satisfaction Surveys. wall.C gives users a 360° view on all customers and thus provides the foundation for enhanced collaboration within the company to better address customer needs. Since March 2014, wall.C's scope has been extended to include bid management and win-loss analyses. The wall.C user-base has doubled as additional departments become users;
- following the high-level survey carried out in 2012 with senior managers of the Transport Sector's customers around the world, the **Customer Satisfaction Surveys** were re-activated systematically in 2013 at working-level for all projects in execution. This initiative is not only a common framework to carry out what is already done in the context of the ISO 9001 certification; it aims to build a very concrete and shared operational approach to Customer Satisfaction in Alstom. Specifically, this programme is a cyclical annual process that is documented at each stage in wall.C. The Customer Account Managers are tasked to plan, on an annual basis, all the Satisfaction Surveys to be done for their customer projects. They do this in conjunction with each relevant Project Execution Manager. Surveys are then scheduled and conducted, the results are analysed and a project-specific action plan is defined. The Account Manager then informs the customer to explain the survey findings and present the remedial action plan;
- "**Customer Clubs**" have become part of the Transport Sector's commercial metabolism. Following a first edition of the "Metro Club" in February 2013, a first "Coradia Nordic Club" took place in May and the "Pendolino Club" was launched in November on the 25th birthday of the first Pendolino train. The objective for the Customer Clubs is to be worldwide forums for customers to share their professional know-how and opinions with their peers and with Alstom. Each Customer Club is run every 12 to 18 months jointly between Alstom and one Club member. It is an opportunity for Alstom to listen to what its customers say about their business challenges and their specific needs and to present recent solutions in a customer environment. It also reinforces the customer intimacy beyond the contractual relationship. The profile of the customer participants are typically Strategy, Operations and Technical Directors. The second sessions of the Metro Club and Coradia Nordic Club will take place during the first half of 2014;
- in July 2013, the Transport Sector inaugurated its "**Knowledge Centre**", north of Paris. This site is shared with the Power and Grid Sectors. Equipped with modern training facilities, it is a new hub in which – and from which – **training programmes** for the Transport Sector's customers' staff are delivered and developed;

- for many years, the Transport Sector has run a broad range of **training courses** for customers as part of equipment supply contracts. Today these are managed on a structured and integrated basis. More significantly, in nations that are investing for the first time in public transport, demand is booming for the training of train drivers,

technicians and train fleet & rail infrastructure maintainers. Alstom is responding to this demand with a dedicated team which tailors and delivers rail transport training programmes to meet this need of emerging countries.

RELATIONSHIPS WITH GOVERNMENTS, INTERNATIONAL ORGANISATIONS AND THINK TANKS

Contribution to the public debate on sustainable development policies

Alstom wants to be known for the quality of its contribution to the public debate around sustainable, environmentally sound power generation and transmission, as well as rail transport, engaging government and international organisations in the development of policies.

As a company with a long history and a unique portfolio of clean power and sustainable transport technologies, Alstom has the experience and expertise to help drive low-carbon development, mitigate climate change and ensure sustainable economic growth.

The Group therefore engages in advocacy, both directly with governments, international organisations and other influencers, and through memberships in selected coalitions that share the policy 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 environmental-friendly goods and services,
 - consistent application of high international standards for ethics and compliance, and
 - protection of intellectual property rights (IPR) as a major driver of innovation and investment in Research, Development and Deployment (RD&D);
- the need for continued investment in public and private R&D in sustainable technologies, particularly through:
 - targeted use of public funding and support for both early stage research and demonstration projects,
 - international financial institutions support for major infrastructure projects in developing countries,
 - leverage of private investment through innovative financial mechanisms and public-private risk-sharing;
- the importance of long-term, transparent and stable policy frameworks to support investment in sustainable development, particularly through:
 - CO₂ pricing,
 - balanced regulation and standard-setting to support a broad portfolio of sustainable, high-efficiency technologies, and
 - promotion of sustainable transport options such as rail.

Participation in leading bodies

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.

- in 2008, Alstom joined 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;
- in 2009, Alstom joined the World Business Council for Sustainable Development (WBCSD), which comprises 190 international firms campaigning to promote the three pillars of sustainable development: economic growth, environmental balance and social progress;
- Alstom has signed the sustainable development charter drawn up by the International Association of Public Transport (*Union internationale des transports publics, UITP*);
- Alstom is a founding member of the Australia-based Global Carbon Capture and Storage Institute;
- Alstom has been an active member of the International Emission Trading Association (IETA) for some years and is represented on its Board;
- in 2013, Alstom joined Econsense, the leading sustainability coalition for business in Germany.

Involvement in many programmes linked to Sustainable Development

During the fiscal year, Alstom was involved in many programmes directly linked to Sustainable Development:

- Alstom continued to participate actively in the United Nations Framework Convention on Climate Change (UNFCCC) *fora*, sponsoring the 19th Conference of Parties (COP19) in November 2013 in Warsaw, Poland and endorsing the Warsaw Statement adopted then, which aims to strengthen the integration of sustainable, low-carbon transport in the UNFCCC action as it moves towards a 2015 agreement. It also participated in business representation at meetings of the Technology Executive Committee and the Green Climate Fund;

- Alstom played a leading role in business support for the European Emission Trading Scheme (ETS), to support the Commission's proposal on "backloading" of allowances and the development of a stability mechanism;
- in 2013, Alstom participated in workshops in China to support emission trading pilot schemes run by the Business Partnership for Market Readiness (BPMR) and also by the Centre for Clean Air Policy;
- Alstom was the only OEM (Original Equipment Manufacturer) to submit comments to India's Chief Electricity Regulator on the Tariff Regulations for Control Period 2014-19 affecting renovation and modernisation of thermal plant to support efficiency improvements to plant;
- Alstom gave high profile public support to the proposal for a UK 2030 decarbonisation target (that ultimately failed to become enshrined in the Energy Act 2013) and also to the Committee on Climate Change's report on the UK's 4th Carbon Budget that recommended a 50% cut in UK emissions by 2027;
- Alstom submitted a detailed paper to the German Government and other stakeholders on Germany's Energy Turnaround and held three Alstom Future Dialogues on clean coal, offshore wind & pump storage technologies.

RELATIONSHIPS WITH SUPPLIERS AND CONTRACTORS

Since 2007, Alstom has been committed to integrating sustainable development in its purchases, and has made every effort to reduce the environmental, social and ethical risks in its supply chain.

Suppliers' contributions represent an important part of contract execution costs (around 60%). In large global contracts, Alstom needs to use contractors for the execution of work for which it does not have the necessary skills, such as civil works. This leads to a significant number of hours of contracting: for fiscal year 2013/14, contractors worked an estimated 125 million hours at Alstom sites and on construction sites, corresponding to the equivalent of 65,100 people on the basis of a 40-hour work week and 48 weeks/year (62,500 people in 2012/13).

The effective implementation of the sustainable sourcing approach relies upon collaboration between Alstom and its suppliers and contractors, which ensures a more responsible supply chain. These commitments are formalised in the "Alstom Sustainable Sourcing Policy" signed by the Chairman and CEO of the Group and available on www.alstom.com.

By establishing partnerships with its suppliers and contractors, Alstom wants to ensure continuous improvement in raising its suppliers' sustainable development performance and minimising its exposure to risks. This approach is also a driver for innovation and change management in the Group.

Risk reduction in the supply chain

Commitment and qualification of suppliers and contractors

The "Charter for Sustainable Development for Alstom's Suppliers and Contractors", to which all Alstom suppliers have to adhere, requires their compliance with the principles set forth in the United Nations Universal Declaration of Human Rights, the International Labour Organisation's (ILO) Fundamental Conventions, the Guiding Principles of the Organisation for Economic Cooperation and Development (OECD), the Rules of Conduct of the International Chamber of Commerce (ICC) and all of the values described in Alstom's Code of Ethics.

At 31 March 2014, more than 16,900 Alstom suppliers have already expressed their commitment by signing this charter. Compliance with the charter is also integrated in Alstom's general purchasing conditions in order to ensure adherence on a general level. Furthermore, social responsibility topics are incorporated in each Sector's supplier qualification processes. The audits conducted by Alstom auditors therefore include CSR criteria.

Risk mapping

Reducing environmental, social and ethical risks in its supply chain is one of Alstom's main priorities. With a wide range of sites worldwide, Alstom favours purchases from local, generally medium-sized companies. Alstom has a highly diverse pool of suppliers. It has thus become necessary to prioritise the assessment of suppliers located within the Group's sphere of influence and potentially presenting a significant risk factor. Alstom conducts a CSR risk mapping of its suppliers on an annual basis with three criteria:

- product family;
- supplier country;
- total purchasing volume with the Group.

The level of risk for each product family and country is determined by a third party and updated annually. Risk mapping allows the Group to establish priorities for supplier assessment. The Group has set rules and objectives on a three-year timescale. The analysis methodology is described on www.alstom.com. A total of 1,600 suppliers have been designated as assessment priorities through this risk mapping process, representing nearly 60% of Alstom's total purchasing volume.

Assessment of suppliers

To measure their sustainable development performance, suppliers undergo an assessment based on environmental, social and ethical criteria, including their own sustainable development requirements to be passed on to secondary suppliers. The assessments are conducted by EcoVadis, a company specialising in sustainable development evaluations.

They are led by a team of CSR experts, who analyse the suppliers' questionnaire responses, documentation and published information on their activities. The assessment process includes references to international standards such as the United Nations' Global Compact, ISO 26000 and the Global Reporting Initiative. The Group organises conference calls to present the assessment process to its suppliers. At the end of fiscal year 2013/14, 1,605 suppliers had been assessed, representing more than 50% of Alstom's total production purchasing volume.

Corrective action plans

When their assessment rating is considered unsatisfactory, suppliers must draft and implement action plans to address their identified weaknesses. Alstom's sourcing teams provide support on supplier's performance improvement efforts. For example, Alstom has worked with one of its Chinese aluminium casting suppliers to improve air quality and reduce safety risks in its workshop. This collaboration resulted in a 95% reduction in local pollutant emissions through the installation of a dust collection system.

Suppliers should be reassessed when they have completed their corrective action plan. In the event that a non-compliant supplier is not willing to implement a corrective action plan or to commit to making forward progress, Alstom may consider ceasing its collaboration with that supplier.

Integration of best practices and continuous improvement process

Change management with Alstom's buyers

Alstom works with a large number of suppliers worldwide; its entire process is then driven by buyers and aims to integrate sustainable development into the Group's sourcing culture. Alstom is aware that this dynamic requires strong involvement on the part of buyers, and thus, has developed a communication and training programme dedicated to sourcing and supplier-quality teams. The goal of such training is to provide a better understanding of Alstom's requirements in terms of sustainable purchasing, supplier assessment, and how to help suppliers develop corrective action plans. In order to be easily deployed in the various countries where Alstom operates, these training programmes are held either online or face-to-face. Their content is reviewed and updated each year to take into account the sustainable development maturity of buyers and suppliers. At 31 March 2014, 960 members of the sourcing community have been trained.

Key indicators

	2011/12	2012/13	2013/14
Number of charters signed by suppliers (cumulative figure)	8,500	10,900	16,900
Number of suppliers assessed (cumulative over 4 fiscal years)	1,225	1,515	1,605
Number of people trained in sustainable sourcing through a specific programme (cumulate figure over 4 fiscal years)	680	780	960

Development of partnerships with suppliers

In order to be recognised as partners of Alstom, suppliers and contractors must be integrated into the responsible value chain. This can increase their own competencies as local suppliers and foster the co-construction of innovative solutions. For instance:

- Alstom Morocco has put in place a team of three people dedicated to the development of French Small and Medium-sized Enterprises (SMEs) that want to grow with the Group through partial location in Morocco;
- in Russia, actions are being taken to help suppliers set up locally and possibly find local partners;
- in India, Alstom is now subject to a new legislation which requires that large companies invest a portion of their profits in CSR starting in 2014. Alstom has thus launched a working group on how this budget should be spent, which includes the local sourcing team. The goal is to support Alstom's Indian suppliers in improving their sustainable development performance on a voluntary basis: improvement plans, training, certifications, etc., with the help of external consultants hired by the Group.

Thinking as an extended enterprise, Alstom develops mid- and long-term partnerships with a limited panel of strategic suppliers. The Transport Sector's "Leading Partners" programme aims to identify and select best-in-class suppliers capable of strong differentiation. Capitalising on this sustainable operational excellence, Alstom works with its partners to develop competitive advantages in innovation and collaboration, engineering, processes, eco-design and international development.

Launching new initiatives

Alstom has also initiated new projects, related notably to "environmental-friendly sourcing", *i.e.* purchasing products or services with reduced or limited impact on the environment. Approximately 50 requests for quotation for "green products" were thus completed this year, in different countries and for product and service families such as printing, IT hardware, facilities management, catering, forklifts, etc. To support buyers in this approach, guidelines have been set up, explaining sustainable development challenges and selection criteria by product family. More information is available on www.alstom.com.

In order to sustain this process, Alstom collaborates with its partners in a "responsible product" approach, integrating eco-design and life-cycle analysis. This collaborative approach has also enabled the Group to develop more environmental-friendly technologies. For example, cork flooring solutions have been developed through cooperation between the Transport Sector and its supplier. In the Grid Sector, Alstom has developed with a partner, filters that can be used to purify SF₆ and to facilitate the recycling of it.

RELATIONSHIPS WITH LOCAL COMMUNITIES

In 2013, Alstom has defined a global policy which is implemented in a consistent way wherever the Group operates. However, being also a local player, Alstom implements local action plans in line with local stakeholders' expectations and its own policy.

To improve CSR performance in relationship with local communities and extract increasing benefits from, actions are taken at two levels.

At Group level

A commitment to education

During the Rio+20 meeting, in June 2012, Alstom committed to contribute to Education: all countries gathering above 1,000 Alstom employees ⁽¹⁾ should have an action plan on that theme included in their global Country Action Plan.

A specific policy for community investment

The Community Investment Policy adopted in January 2013 sets three priorities:

- the first priority is contribution to education – key for the development everywhere in the world. Alstom joins forces with local schools and universities to train students in high-quality courses via scholarships, apprenticeships, internships, and by providing general educative means; it also support universities by developing joint research programmes in more than 90 universities – see list on www.alstom.com;
- the second priority is to support the local economic development and industrial activities. For example, Alstom supports small enterprises and innovative start-ups, strengthens its suppliers' skills, develops programmes related to technology and innovation in partnership with local institutions;
- the third priority consists in a pragmatic dialogue with the communities, in order to meet local social needs and protect the environment.

Alstom encourages its own employees to support these actions as volunteers.

At local level

A decentralised approach

Alstom strengthens its guidelines regarding the local initiatives with a formal country action plan, mandatory for the 15 countries with over 1,000 employees and strongly recommended for the others. The CSR action plan is defined after identification of stakeholders, their expectations and Alstom's own stakes in the given country.

Support to education

Dynamic relationships with schools and universities

Alstom has strong partnerships with schools and universities in order to:

- make Alstom well-known and identify future employees;
- establish partnerships, including in research and development (see more details in the section SD and Alstom's social responsibility – Innovation management);
- participate in the national programmes for education and training in the countries in which the Group operates.

See more details on www.alstom.com and in the section Social Performance – Relationship with universities.

In accordance with its commitment during the Rio+20 Summit, Alstom also supports elementary and high schools. For instance in 2013/14:

- in Norrköping (Sweden), a 80-hour programme to motivate 14-year-old pupils get them to learn about businesses and products in energy and rail transport and also job opportunities;
- in Korea, Alstom employees delivered lectures on Corporate Responsibility and Business leader's role to 50 students at International Graduate School of Seoul national university on 31 October 2013, and to 120 students for Elite Intensive Course at the Federation of Korean Industries on 27 December 2013;
- in Malaysia, a specific programme encourages educational performance, awarding employees' children who have excelled in their studies. The level of the award varies with the level of public examinations at primary, secondary and pre-university.

See more examples on www.alstom.com.

Local actions to support students

In addition to its relationships with schools and universities, Alstom is conscious of its responsibility to facilitate the access of people, especially young people, and implements programmes to help students develop their competencies.

In several countries such as the UK, Sweden and France, employees are involved as mentors in the promotion of industrial positions. In the UK, Alstom is member of Engineering UK and WISE (Women in Science and Engineering) and trained 125 STEM (Science, Technology, Engineering and Maths) ambassadors participating in a variety of outreach projects on a national and regional level to promote the interest of jobs in industry, for both women and men. This participation makes up 500 hours of volunteering per year.

(1) 15 countries, namely Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Mexico, Poland, Spain, Switzerland, Turkey, the United Kingdom, the United States of America.

In most countries, Alstom provides internships to students. For instance, in China, HUST (HuaZhong University of Science & Technology) and the Wuhan Boiler Company Ltd are ones of the first national experimental engineering education centres approved by the China Secondary Education Bureau. In the frame of this agreement, 90 undergraduate students were provided with professional training and internships.

This can also go through an internship opportunity for an immigrant person to help her/him find a job in Sweden, or support for local mathematic competition in Poland.

See more examples on www.alstom.com.

Impact on local development: supporting local companies

Alstom's Corporate Social Responsibility policy takes into account the impact of the Group's business operations on local development. In addition to supporting innovative start-ups and participating in local development by contribution to national or international programmes and clusters related to technology and research (see more details on the section Sustainable Development and Alstom's CSR – Innovation management), Alstom pays attention to the local market.

When Alstom develops new activities or new markets, it strives to look for local suppliers. For instance, in April 2012, Alstom (jointly with EDF) won three French state's calls for tenders for offshore wind power projects and therefore, it plans to create new industrial plants in Cherbourg and Saint-Nazaire, and an engineering centre, with an estimated creation of 1,000 direct jobs and 4,000 indirect jobs. Alstom decided to dedicate 5% of the working hours for the construction of the plants to people facing difficulties to access to employment. In addition, in the wake of the wind off-shore market, 13 days of BtoB meetings were held with more than 350 companies, to help local industry, suppliers and contractors, get future activities by disclosing market opportunities. 80 companies – among which 65 SMEs – answered calls for tenders. The objective is to build a French offshore wind industrial cluster.

Alstom also takes part in joint projects with SMEs within the programme of Investments for the Future (tidal energy substations).

Through the Aster Capital Investment Fund, Alstom invests in start-ups in the field of energy, mobility and green technologies.

Support of social local needs

As a tool to strengthen the support of social needs, in addition to usual charitable contribution, Alstom encourages volunteerism initiatives and employees' awareness on the importance of solidarity. A few examples:

- in Australia, the Group's employees decided to focus on only one NGO for charity and to select the Children's Cancer Institute Australia (CCIA). CCIA is an independent medical research institute focusing on the causes, treatments, prevention and cure of childhood cancer. The objective is to raise AUD35,000 (equivalent to €35 per employee) within one year;
- in China, on 18 May, 136 employees and their families participated in the 2013 Spring Charity Walking to raise funds for rural migrant children's education. In addition, 70 employees and their families supported the Sunvillage, dedicated to the children of Chinese convicts. The programme includes donation of cash, clothes, books and the living expenses of twin children, Li Yubin and Li Yufeng, for one year;

- in Germany, in July 2013, the contribution of Alstom employees who worked day and night during the severe River Elbe flooding was recognised by the Federal Minister of the Interior. Employees made also donations for the victims, matched by the Company;
- in Indonesia, in February 2014, collection of food and medicine was organised for victims of Sinabung Mountain eruption that had caused the evacuation of 20,000 persons since September 2013;
- in Italy, in January 2014, more than 600 employees in Bologna participated in the purchase of equipment which allows food preservation. The initiative aims to donate 30 meals/day coming from to the uneaten food of the canteen to the Soup Kitchen (*Mensa Della Fraternita*);
- in Malaysia, 273 employees contribute to a programme aiming to raise the awareness of students on the protection of coral reefs in three islands;
- in both Malaysia and Indonesia, any employee who successfully refers a new recruitment is awarded a token sum, and selects the charity he/she would like to contribute to *via* this monetary award; the initiative seeks to promote a CSR culture in the local organisation;
- in Mexico in 2013, two "dia ecologico" were organised gathering 143 employees, to improve the living conditions of 12 disadvantaged families of the Piedra Grande community in the State of Mexico, through the construction of rainwater tanks and organic gardens, ecological stoves and solar dryers;
- in Poland, collection of goods and money among employees for families in need, orphanages and shelters for animals;
- in the UK and Ireland, in June 2013, a volunteering policy has been adopted, aiming for instance at supporting donation in cash and time (each employee is allowed one day per fiscal year to participate in the execution of volunteering project) and giving access to UK Intranet Space to promote charitable fundraising activities.

Facilitating access to employment

Alstom is well aware of its responsibility to facilitate the access of people, especially young people, to employment and develop local initiatives with this goal. The reason is the following: most jobs at Alstom are highly technical and finding seasoned specialists is not an easy task. It is thus vital to hire young people and provide them with the necessary training. It is a long-term investment. Alstom takes also into account the local authorities' expectations to provide jobs, for instance to young people from disadvantaged areas.

More information is available on www.alstom.com.

Charitable contributions

Alstom encourages initiatives to support local communities. The total budgeted contributions to charities are not completely identified at Group level. These initiatives, mainly social, are consistent with local needs and are developed in close cooperation with local associations.

The lists of country action plans and charitable contributions are available on www.alstom.com.

THE ALSTOM CORPORATE FOUNDATION

Around the world, Alstom and its partners lead actions with local organisations to improve the living conditions of the communities surrounding the Group's plants and sites. The Alstom Foundation enables the Group to strengthen these initiatives by providing finance for a variety of concrete actions in environmental protection.

Since its creation in 2007, the Alstom Corporate Foundation has financed a large number of projects: 11 in 2008, 13 in 2009, 19 in 2010, 16 in 2011, 15 in 2012 and 16 in 2013. All projects are presented and supported by Alstom employees. They must focus on environment protection, respond to local needs and be developed with local actors. The Foundation has a budget of €1 million per year.

Encouraged by the success of the Alstom Foundation, it was decided in 2012 to extend its operation for five more years with the same budget. The Foundation will gradually tend towards the support to innovation-oriented projects.

The Foundation's Board of Directors, which selects the projects to finance each year, is composed of internal representatives as well as external ones: Claude Mandil (former Director of the International Energy Agency), Cécile Vic (General Delegate of the Air France Foundation), Jacques Attali (President of PlaNet Finance). Robert Barbault (Director of the Biodiversity Department at the Museum of Natural History) who had participated in the Foundation Board since its creation and had been very active in the Foundation selection, passed away in December 2013.

The 16 projects supported by the Foundation in 2013/14 can be classified under three headings:

Access to energy

The eight projects in this category are intended to facilitate access to electricity and energy, taking into account the environment:

- electrification of a village of 17 homes by pico hydroelectricity, in Bhutan;
- electrification of a village of 200 homes by a 30 kW micro hydro plant, in Cameroon;
- electrification of 4 villages, 70 homes on average, with pico hydro turbines, in Laos;
- construction of a 900 kW dam, in Nepal;
- electrification of a school and creation of a 3 kW charging station with wind turbines, in Kenya;
- electrification of 30 health centres with solar panels in the AFAR area, in Ethiopia;
- electrification of an orphanage and a vocational training centre with solar panels, in Cambodia;
- biogas production from waste generated by a kitchen providing 130,000 meals per day for school children, in India.

Economic development

In this category, the Foundation projects are more focused on economic support while taking into account the other aspects of sustainable development:

- ecotourism development taking into account the Indigenous people's traditions, through a programme benefitting to 1,000 persons, in Brazil;
- refurbishment of an antique passenger train "*Petite Roselle*" to increase the activity of a touristic railway line, in France;
- comprehensive social and economic programme in a village next to the Durgapur site, in India;
- protection of the archaeological site "*Huacas Del Sol y de la Luna*" and the polychrome mural, in Peru;
- waste valorisation in schools and temples, in Thailand;
- creation of 20 model farms providing micronutrient-rich food and vitamin A to reduce blindness risk, in Vietnam.

Nature preservation

The two projects related to nature preservation selected this year aim to increase public awareness on the improvements that can be made to the environment:

- removal of debris and waste from two lakes in the Chennai area, in India;
- building of green parks in the surroundings of Lima, and support to an association training single mothers in building skills, in Peru.

Two other projects were abandoned because the factors of success were not present, and a project in Mexico was delayed due to the storm which hit the country last autumn.

More information about the projects can be found on the following link: www.foundation.alstom.com.

METHODOLOGY

Introduction

The content of this chapter dedicated to Sustainable Development and Alstom's Social Responsibility has been prepared by the CSR central team of Alstom with the collaboration of internal stakeholders: the Sectors for the description of their respective strategy and customer relationship management, as well as many support functions such as Sourcing, Human Resources, Strategy, Risk Control, Ethics & Compliance, Environment-Health & Safety (EHS) and the Alstom International Network (Country Presidents).

External stakeholders' views used to build the materiality matrix have been gathered from various surveys conducted between 2011 and 2013.

The information collection and consolidation were conducted along with a dedicated process between January and April 2014, under the supervision of an Editorial and Validation Committee led by the Senior Vice-President Strategy and Business Development, which validated the choices during three meetings over the period.

The whole chapter has been reviewed by PricewaterhouseCoopers as an independent third party in regard to Article 225 of the French Grenelle law.

Reporting principles

All the data reported (indicators) are coming from different Alstom internal reporting systems, detailed in the respective sub-sections.

These indicators refer to the "Global Reporting Initiative" (GRI). However, some indicators are not yet available on a consolidated basis or have been considered irrelevant, either with regard to the Group's diversified operations or due to difficulties in adopting standard definitions for all sites worldwide. 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 "Décret no 2012-557" dated 24 April 2012 related to the obligation of companies' transparency in environmental and social matters.

Environmental performance and Health & Safety results

Data covering those topics are gathered with Alstom's reporting and consolidating system "Terenga" which is also used for financial reporting. This ensures the coverage of Alstom's activity very close to 100% of Alstom employees for Health and Safety. Employees of companies working under Alstom's responsibility (contractors) are also covered. For the environmental performance, all permanent activities of the Group are covered. Some temporary construction sites are not covered when Alstom's activity is only a part of a larger site.

On Health and Safety, the reporting is done every month on around 760 sub-units (elementary report units) with 15 basic indicators.

On Environment, the reporting is done by quarter on around 470 sub-units with 40 basic indicators.

The definition of indicators and reporting process are described in a Group-level document (EHS Reporting Manual) managed under the responsibility of the Group EHS Vice-President.

Social report and actions on local communities

Indicators for social report are coming from:

- the Alstom HR information system called ALPS, based on PeopleSoft software and operating in any Alstom facility;
- a social survey conducted in 26 countries on the figures of calendar year 2013 – Algeria, Australia, Belgium, Brazil, Canada, China, Croatia, Estonia, France, Germany, India, Indonesia, Italy, Malaysia, Mexico, Poland, Romania, Russia, Singapore, Spain, Sweden, Switzerland, Turkey, United Arab Emirates (UAE), United Kingdom (UK), United States of America (USA) -, representing 93% of Alstom's workforce. In some limited cases, the number of countries had to be reduced due to unreliable data provided, but the coverage remained significant enough.

In addition, and in order to illustrate the different sections with local initiatives, the following actions are conducted by the CSR central team:

- a "best practice" survey conducted worldwide with the support of Country Presidents;
- a collection of all news related to CSR, published internally in the Group's weekly newsletter (Newsflash).

Limitation and difficulties

The reporting system for EHS and the HR information system are quite inclusive. However, information coming from contractors may be difficult to verify. Coming from "surveys", some information might be missing, but without having a significant impact on the results.

SYNTHESIS OF INDICATORS/KEY FIGURES 2013/14

Indicators	2011/12	2012/13	2013/14	GRI (2) reference	Page
ENVIRONMENTAL INDICATORS					
Energy ⁽¹⁾					
Energy consumption from natural gas <i>(in GWh)</i>	630	685	621	EN3	264
Energy consumption from butane/propane and other gases <i>(in GWh)</i>	47	44	43	EN3	264
Energy consumption from residual "heavy" fuel oil and diesel oil <i>(in GWh)</i>	76	66	51	EN3	264
Energy consumption from coal and other fuels <i>(in GWh)</i>	7	8	4	EN3	264
Energy consumption from imported steam and heat <i>(in GWh)</i>	124	134	134	EN4	264
Energy consumption from electricity <i>(in GWh)</i>	717	706	703	EN4	264
Total energy consumption <i>(in GWh)</i>	1,600	1,642	1,555	EN4	264
Energy intensity <i>(in GWh/sales in € million)</i>	80	81	77	EN3	264
Water					
Water consumption from public water supply <i>(in thousands of m³)</i>	2,200	2,224	2,244	EN8	268
Water consumption pumped from surface water <i>(in thousands of m³)</i>	547	387	394	EN8	268
Water consumption pumped from groundwater <i>(in thousands of m³)</i>	1,872	2,058	1,765	EN8	268
Total water consumption <i>(in thousands of m³)</i>	4,619	4,699	4,403	EN8	268
Emissions⁽²⁾, effluents and waste					
GHG emissions intensity <i>(in tons CO₂ equivalent/sales in € million)</i>	25	25	24	EN16	265
Direct CO ₂ emissions from natural gas, butane, propane, coal and oil consumption <i>(in kilotons CO₂ eq)</i>	173	181	162	EN16	265
Indirect CO ₂ emissions from steam, heat and electricity consumption <i>(in kilotons CO₂ eq)</i>	344	326	324	EN16	265
Total CO ₂ emissions from energy consumption <i>(in kilotons CO₂ eq)</i>	517	508	486	EN16	265
Other direct CO ₂ emissions from PFC and HFC <i>(in kilotons CO₂ eq)</i>	2	2	1	EN16	265
Total CO ₂ emissions from energy consumption and other direct emissions except SF ₆ <i>(in kilotons CO₂ eq)</i>	520	510	488	EN16	265
Intensity of GHG emissions from SF ₆ <i>(in tons CO₂ equivalent/SF₆ equipment/sales in € million)</i>	-	132	141	EN16	266
Total SF ₆ losses (fugitive emissions) <i>(in tons)</i>	4.97	5.77	6.34	EN16	266
Company cars CO ₂ emissions from gasoline <i>(in kilotons)</i>	8	8	6	EN16	266
Company cars CO ₂ emissions from diesel oil <i>(in kilotons)</i>	14	16	16	EN16	266
Total CO ₂ Company cars emissions <i>(in kilotons)</i>	22	24	22	EN16	266
Water emissions – Metals <i>(in tons)</i>	1	3	0.5	EN21	268
Water emissions – Chemical oxygen demand <i>(in tons)</i>	204	98	72	EN21	268
Water emissions – Suspended matters <i>(in tons)</i>	40	55	41	EN21	268
Water emissions – Hydrocarbons <i>(in tons)</i>	1	1	1	EN21	268
Non-methane Volatile Organic Compounds (VOCs) emissions <i>(in tons)</i>	1,005	1,227	804	EN16	269
Air emissions – SO ₂ <i>(in tons)</i>	45	20	15	EN20	269
Air emissions – NO _x <i>(in tons)</i>	152	114	117	EN20	269
Percentage of recovered waste	77%	77%	78%	EN22	270
Total hazardous waste production <i>(in tons)</i>	-	19,809	11,062	EN22	270
Total non-hazardous waste production <i>(in tons)</i>	-	127,808	116,524	EN22	270
Total waste production <i>(in tons)</i>	-	147,617	127,586	EN22	270
Total amount of waste sent to waste disposal <i>(in tons)</i>	-	34,650	28,056	EN22	270

(1) Excluding the energy used by the Birr (Switzerland) Research & Development test activity (gas and diesel oil as fuel) – updated compared to previous years' registration document.

(2) Excluding the CO₂ emissions due to the Grid Sector's SF₆ fugitive emissions and the CO₂ emissions related to the energy used by the Birr R&D test activity (emissions due to gas and diesel oil usage).

Indicators	2011/12	2012/13	2013/14	GRI (2) reference	Page
Non-GRI					
Total water used for open-circuit cooling and for test purpose with no environmental impact (<i>in thousands of m³</i>)	1,432	1,785	1,527	Non-GRI	268
Number of manufacturing sites with over 200 employees located at more than 1 km from legally protected areas	-	63	63	Non-GRI	271
Proportion of manufacturing sites with over 200 employees located at more than 1 km from legally protected areas (<i>in %</i>)	-	90%	90%	Non-GRI	271
CO ₂ emissions from air travels (<i>in kilotons CO₂ eq</i>)	136	131	115	Non-GRI	266
CO ₂ emissions from train travels (<i>in kilotons CO₂ eq</i>)	-	-	2	Non-GRI	266
SYSTEM INDICATORS					
Non-GRI					
Proportion of manufacturing sites of more than 200 employees certified ISO 14001 (<i>in %</i>)	83%	97%	100%	Non-GRI	263
Number of Alstom Zero Deviation Plan official evaluations	-	160	169	Non-GRI	275
SOCIAL INDICATORS					
Employment					
Total workforce incl. Long Term Absentees (LTA)	93,998	94,545	94,719	LA1	276
Workforce by region (incl. LTA)				LA1	276
• Europe	54,586	55,550	55,545		
• North America	10,306	10,266	9,639		
• Central and South America	5,763	5,954	7,430		
• Asia/Pacific	20,386	19,575	18,833		
• Africa/Middle East	2,957	3,200	3,272		
Workforce by category (managers, incl. LTA, <i>in %</i>)	47.21%	50.04%	50.91%	LA1	276
Workforce by Sector (incl. LTA)				LA1	276
• Thermal Power	37,991	36,741	36,963		
• Renewable Power	9,563	9,757	9,209		
• Grid	19,088	17,984	17,159		
• Transport	25,332	27,284	28,341		
• Corporate & others	2,024	2,779	3,047		
Total workforce by type of contract (incl. LTA)				LA1	277
• Permanent contracts	85,449	86,252	86,125		
• Fixed-term contracts	8,549	8,293	8,594		
• Temporary workers	8,401	8,035	8,020		
• Interns	2,388	2,265	2,208		
Workforce changes during fiscal year (incl. LTA)				LA2	277
• Hiring on permanent contracts	9,922	9,905	8,275		
• Hiring on fixed-term contracts	8,176	7,645	7,189		
• Resignations	4,200	3,274	3,212		
• Redundancies	651	837	693		
• Dismissals (permanent headcount)	-	656	731		
• Other departures (incl. retirements, excl. acquisitions/disposals)	4,505	3,393	3,238		
Number of annual performance interviews (managers & professionals)	38,800	42,500	43,900	LA2	284
Labour/Management relations					
Employees covered by a collective bargaining agreement (<i>in %</i>)	72%	71%	81%	LA4	289

Indicators	2011/12	2012/13	2013/14	GRI (2) reference	Page
Occupational Health and Safety					
Number of employees' fatalities (Alstom employees)	4	1	0	LA7	274
Other fatalities linked with Alstom activities (contractors)	7	4	5	LA7	274
Number of occupational safety severe accidents reported (incl. fatal accidents)	-	29	37	LA7	274
Occupational injury frequency rate 1 (IFR1) calculated (employees and contractors)	1.8	1.4	1.2	LA7	274
Severity Rate of lost-time accidents (employees)	0.06	0.06	0.06	LA7	274
Employees Long-term Absenteeism (LTA)	1,353	1,639	1,717	LA7	276
Absenteeism rate calculated	-	2.6	2.4	LA7	281
Training and education					
Number of employees trained in EHS classroom trainings	1,700	3,358	2,914	LA12	274
Number of employees trained in EHS e-learning courses	-	-	35,196	LA12	274
Average training hours per employee	19h	19h	15h	LA10	285
Total number of training hours	-	-	1,286,445h	LA10	285
Proportion of employees trained (in %)	74%	68%	67%	LA12	285
Number of employees trained by <i>Alstom University</i>	8,231	15,817	11,191	LA12	285
Diversity and equal opportunity					
Proportion of women in the Group (in %)	16%	16%	16.3%	LA13	287
Proportion of female managers or engineers (in %)	15%	15.3%	16.2%	LA13	287
Proportion of executive women (in %)	11%	11.6%	11.8%	LA13	287
Proportion of disabled people per country (in %)				LA13	288
• France	3.4%	3.9%	3.5%		
• Germany	5.5%	5.5%	5.6%		
• Italy	2.7%	2.4%	2.4%		
• Spain	0.4%	0.9%	0.6%		
Corruption					
Number of employees who have received training on ethics (cumulative figure since 2006, approx.)	7,200	9,500	14,300	SO3	279
Human Rights performance					
Number of assessed suppliers (cumulative figure over 4 fiscal years)	1,225	1,515	1,605	HR 2-6-7	294
Non-GRI					
Number of occupational diseases registered	-	82	60	Non-GRI	275
Rate of internal mobility (nomination of executives) (in %)	85%	80%	75%	Non-GRI	284
Number of employees under short-term incentive scheme	25,000	34,400	32,800	Non-GRI	280
Number of employees covered by a profit-sharing agreement	37,000	52,000	52,000	Non-GRI	280
Ratio of employees covered by a life insurance in case of accidental death (in %)	99%	99.5%	97.3%	Non-GRI	275
Ratio of employees covered by a life insurance giving one year salary (in %)	94%	91%	93.7%	Non-GRI	275
Proportion of vacant positions internally posted (in %)	43%	33%	48%	Non-GRI	284
Number of charters signed by suppliers (cumulative figure)	8,500	10,900	16,900	Non-GRI	294
Number of people trained in sustainable sourcing through a specific programme (cumulate figure over 4 fiscal years)	680	780	960	Non-GRI	294
Contractors' hours worked at Alstom sites and construction sites (in million)	115	120	125	Non-GRI	293

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

Year ended March 31, 2014

To the Shareholders,
Alstom
3, avenue André Malraux
92309 Levallois-Perret, Cedex.

(This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.)

Dear Sirs,

In our capacity as Statutory Auditor of Alstom, appointed as an independent third party and whose acceptance of the certification request has been approved by COFRAC, we hereby present our report on the consolidated environmental, labour and social information presented in chapter 6 of the management report, (hereafter referred to as the "CSR Information") for the year ended on March 31st, 2014 in accordance with Article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

The Board of Directors is responsible for preparing the company's management report including CSR Information referred to in the article R.225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the "EHS Reporting Manual" used by the Group's sites as well as HR standard "Règles Censur" and social study definitions used by the company, (hereafter the "Criteria"), available on request to the CSR direction of the company.

Independence and quality control

Our independence is defined by regulatory requirements, the French code of Ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code (*Code de commerce*). We have also implemented a quality control system comprising documented policies and procedures to ensure compliance with the ethical standards, professional auditing standards and applicable laws and regulations.

Responsibility of the Statutory Auditor

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an appropriate explanation has been provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (*Code de commerce*) (the Statement of completeness of CSR Information);
- express moderate assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Criteria (moderate assurance CSR Information).

Our work was carried out by a team of ten persons between end of November 2013 and mid April 2014 and took around seventeen weeks. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the professional auditing standards applicable in France, with the decree of 13 May 2013 determining the conditions under which the independent third party performs its engagement and for the reasoned opinion on fairness, with the international standard ISAE 3000⁽¹⁾.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

1. Statement of completeness of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes. We compared the CSR Information presented in the management report with the list as provided for in the Article R.225-105-1 of the French Commercial Code (*Code de commerce*).

For any consolidated Information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R.225-105-1, paragraph 3 of the French Commercial Code (*Code de commerce*).

We ensured that the CSR Information covers the consolidated perimeter, *i.e.*, the company and its subsidiaries as defined by Article L.233-1 and the entities it controls as defined by Article L.233-3 of the French Commercial Code (*Code de commerce*) with the limitations set out in the methodological information section presented in the section methodology of chapter 6 of the management report.

Based on this work and given the limitations mentioned above, we attest to the completeness of the required CSR Information in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of our work

We conducted more than one hundred interviews with about one hundred and fifty people responsible for preparing the CSR Information in the different departments in charge of collecting the information and, where appropriate, the people responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Criteria in the light of their relevance, completeness reliability, neutrality and understandability and taking industry standards into account when necessary;
- verify the implementation of a data-collection, compilation, processing and control procedure that is designed to produce CSR Information that is exhaustive and consistent, and familiarise ourselves with the internal control and risk management procedures involved in preparing the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information in the light of

the nature of the Company, the social and environmental issues of its activities, its sustainable development strategy and good market practices.

With regard to the CSR Information that we considered to be the most important (given in appendix):

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action), we followed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data and we verified their consistency and concordance with the other information in the management report;
- at the level of a representative sample of entities including the sub-units of CAMACARI – BAHIA and TAUBATE in Brazil, of BEIJING, SUZHOU and WUHAN in China, of KARLOVAC in Croatia, of TAMPERE in Finland, of LA COURNEUVE, MASSY 1, MASSY 2, SAINT-OUEN, TARBES, VALENCIENNES, VILLEURBANNE and AIX-LES-BAINS GIS in France, of MANNHEIM and MONCHENGLADBACH in Germany, of CHENNAI, PALLAVARAM, DELHI – NOIDA, DURGAPUR and VADODARA in India, of ELBLAG et KATOWICE in Poland, of GEBZE in Turkey, of JUPITER – FLORIDA and WINDSOR in the USA, selected by activity, contribution to the consolidated indicators, location and risk analysis, we conducted interviews to ensure that procedures are followed correctly and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents on average 24% of total workforce and on average 21% of quantitative environmental data.

For the other consolidated CSR information, we assessed consistency based on our understanding of the company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part in the light of good professional standards.

We believe that the sampling methods and sample sizes used, in our professional judgement, allow us to express a moderate assurance conclusion; a higher level of assurance would have required us to carry out more extensive work. Because of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Criteria.

Neuilly-sur-Seine, May 7th, 2014

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Olivier Lotz

Partner

Thierry Raes

Partner in charge of the Sustainable Development Department

Appendix: List of information that we have considered to be the most important

Labour information

- Total workforce, indicator group total workforce at the end of March 2014;
- Distribution of employees by sex, indicator distribution of total workforce men/women;
- Distribution of employees by geographic area, indicator distribution of total workforce by Region;
- Hiring and termination, indicators number of hiring and termination;
- Absenteeism, indicator absenteeism rate;
- Organization of labour relations, indicator percentage of employees covered by a collective agreement;
- Health and safety conditions;
- Work accident, especially frequency and severity, indicators number of fatal accident (Alstom employees), number of fatal accidents related to Alstom's activities (contractors), number of severe accident reported, frequency rate (Alstom employees), severity rate (Alstom employees);
- Number of training hours, indicator average number of training hours per employee;
- Measures taken in favor of the equality between men and women, indicator proportion of women, proportion of women managers, proportion of women executive officers;
- Respect for freedom of association and right to collective negotiation.

Environmental information

- Company organization to take into account environmental issues and if relevant, environmental evaluation and certification process;
- Amount of environmental provisions;
- Measures to prevent, reduce or repair releases in air, water and soil seriously affecting the environment, indicator VOC ⁽¹⁾ emissions;
- Measures to prevent, recycle and eliminate waste, indicators hazardous and non-hazardous waste production, quantity of eliminated waste (not recovered);
- Water consumption and water procurement regarding local constraints, indicators consumption of water from public water supply, surface water and groundwater;
- Energy consumption and measures taken to improve energetic efficiency and the use of renewable energy, indicators consumptions of natural gas, butane/propane and other gas, oil, steam/heat, electricity, coal and other fuels;
- Greenhouse effect gas emissions, indicators direct ⁽²⁾ and indirect ⁽³⁾ emissions of CO₂, emission of SF₆.

Social information

- Territorial, economic and social impact of the company activity in terms of employment and regional development;
- Inclusion of social and environment issues in the purchase policy;
- Importance of subcontracting and inclusion in the relationships with suppliers and subcontractors of their social and environmental responsibility, indicators number of suppliers evaluated, signature of the Sustainability Charter by all suppliers;
- Actions carried out to prevent corruption.

(1) Volatile Organic Compounds.

(2) Emissions due to natural gas, butane, propane, coal, oil and fugitive emissions of PFC and HFC.

(3) Emissions due to steam, heat and electricity consumption.

TABLE OF CSR COMPLIANCE

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(*) Not applicable.

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INFORMATION ON THE GROUP AND THE HOLDING COMPANY

HISTORICAL INFORMATION

The Group was created in 1989, when the parent company GEC ALSTHOM NV was a holding company incorporated 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 effected 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 the whole of the assets directly or indirectly held by GEC ALSTHOM NV was 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 2014").

Since the listing of ALSTOM in 1998, the Group's scope was deeply changed. The most significant operation 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, Alstom 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 are organised in four Sectors since July 2011: Thermal Power, Renewable Power, Grid and Transport.

IDENTITY OF THE COMPANY

Company name and registered office

ALSTOM
3, avenue André-Malraux – 92300 Levallois-Perret
Tel.: +33 1 41 49 20 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 Nanterre.

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

(Extract of Article 18 of the Articles of Association)

From 1 April to 31 March.

Shareholders' Meetings

(Extract of 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 third business day 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 accounting 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 three 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 1316-4 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 1316-4 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.

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 occurring prior to the third business day before the Shareholders' Meeting at midnight, Paris time, 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.

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.

It will be proposed to the next Shareholders' Meeting to be held on 1 July 2014 to maintain single voting rights and to complete the bylaws as follow: "No double voting rights shall be conferred to those conferred on other shares, with regard to the percentage of share capital they represent, on fully paid shares for which it is justified to have been registered for two years in the name of the same shareholder."

Notification of holdings exceeding certain percentages

(Extracts 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 needs be the information mentioned in the third paragraph 1 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.

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 and regulatory 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 20 of the Articles of Association)

The profits for fiscal year consist of the revenues relating to the preceding fiscal year, less overheads 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 Alstom, 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 and of the Sectors. The gross value of land and buildings fully owned and leased under financial leases as of 31 March 2014 is €2,156 million.

The depreciation booked for the above is €754 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 INDUSTRIAL SITES HELD (NON EXHAUSTIVE LIST)

Country	Site	Main Sector
Australia	Ballarat	Transport
Belgium	Marchienne-au-Pont	Thermal Power
	Charleroi	Transport
Brazil	Canoas	Renewable Power & Grid
	São Paulo	Transport
	Taubate	Renewable Power
	Itajuba	Grid
Canada	La Prairie	Grid
	Sorel-Tracy	Renewable Power
China	Beijing	Thermal Power
	Shanghai	Grid
	Suzhou	Grid
	Tianjin	Renewable Power
	Wuhan	Thermal Power & Grid
Croatia	Karlovac	Thermal Power
Czech Republic	Brno	Thermal Power
Finland	Tampere	Grid
France	Aix-les-Bains	Grid
	La Rochelle	Transport
	Belfort	Thermal Power & Transport
	Grenoble	Renewable Power
	Le Creusot	Transport
	Ornans	Transport
	Reichshoffen	Transport
	Saint-Ouen	Transport
	Tarbes	Transport
	Valenciennes	Transport
	Villeurbanne	Grid & Transport

Country	Site	Main Sector
Germany	Berlin	Thermal Power
	Bexbach	Thermal Power
	Brunswick	Transport
	Mannheim	Thermal Power
	Salzgitter	Transport
	Stuttgart	Thermal Power
	Ludwiglust	Grid
	Monchengladbach	Grid
	Stendal	Transport
India	Bengalore	Transport
	Chennai	Transport & Grid
	Coimbatore	Transport
	Durgapur	Thermal Power
	Hosur	Grid
	Naini	Grid
	Shahabad	Thermal Power
	Vadodara	Renewable Power & Grid
Indonesia	Surabaya	Thermal Power
Italy	Bologna	Transport
	Nola	Transport
	Noventa di Piave	Grid
	Savigliano	Transport
	Sesto	Transport
Japan	Kobe	Thermal Power
Mexico	Toluca	Grid
	Morelia	Thermal Power
Poland	Elblag	Thermal Power
	Katowice	Transport
	Wroclaw	Thermal Power
Portugal	Setubal	Thermal Power
Spain	Barcelona	Transport
Switzerland	Birr	Thermal Power
	Oberentfelden	Grid
Turkey	Gebze	Grid
United Kingdom	Stafford	Grid & Thermal Power
	Rugby	Thermal Power
USA	Charleroi (Pennsylvania)	Grid
	Chattanooga (Tennessee)	Thermal Power
	Hornell (New York)	Transport
	Jupiter (Florida)	Thermal Power
	Rochester (New York)	Transport
	Richmond (Virginia)	Thermal Power
	Waynesboro (Virginia)	Grid
	Windsor (Connecticut)	Thermal Power

MATERIAL CONTRACTS

In the past two years immediately before the issue of this *Document de Référence*, Alstom and/or companies of the Group have not entered into material agreements.

The main acquisitions, disposals, partnerships, joint ventures and changes in scope of consolidation are identified in Note 4 of the

consolidated financial statements as of 31 March 2014, in section "Management report on consolidated financial statements fiscal year 2013/14 – Main events of fiscal year 2013/14" and in section below "Details on shareholdings taken and sold during fiscal year 2013/14".

DETAILS ON SHAREHOLDINGS TAKEN AND SOLD DURING FISCAL YEAR 2013/14

Section including information as per Article L. 233-6 of the French Commercial Code.

Details on direct or indirect shareholdings taken during fiscal year 2013/14

On 4 April 2013, ALSTOM Power Holdings and Arabian BEMCO Contracting Co. Ltd signed a joint venture agreement to create a company in Saudi Arabia to manufacture heat recovery steam generators and components.

On 25 April 2013, ALSTOM Vietnam Company Ltd, ALSTOM Asia Pacific Sdn Bhd and Phu My Thermal Power Company Ltd created a joint venture company in Viet-Nam named ALSTOM PMTP Power Service LLC. The company is involved in the reconditioning of gas turbine parts. Alstom owns 85% of the joint venture company.

On 30 April 2013, the Dutch joint venture company named ALSTOM-KER Engineering BV, owned 50% by ALSTOM Grid Holding BV and 50% by Komplexnye Energetichskye, created a Russian operating company called ALSTOM-KER DC Engineering Center in the Grid Sector.

On 24 June 2013, ALSTOM Grid Energia Ltda acquired from two individuals 100% of the share capital of Engeman Servicos e Manutenção Ltda., a Brazilian company engaged in field services for high voltage electrical systems.

On 11 July 2013, ALSTOM Transport SA acquired a participation of 35% in Croissance Rail, a "fonds commun de placement à risques bénéficiant d'une procédure allégée" which invests in the rail sector. The other participants are the FSI France Investissement III, SNCF Participations, La Régie Autonome des Transports Parisiens (RATP) and Bombardier Transport France SAS.

On 9 December 2013, ALSTOM Brasil Energia e Transporte Ltda and Construtora Andrade Gutierrez S.A. signed a joint venture agreement to create a company to carry on manufacturing and sale of metallic or hybrid wind towers and other metallurgical products to address wind farm projects in Brazil.

On 13 December 2013, ALSTOM Power Holdings SA acquired a participation of 7.5% in the "Fonds de développement des entreprises nucléaires (FDEN)" which supports companies in nuclear sector. The other participants are Fonds FSI France Investissement III, Bpifrance Investissement, EDEV, Areva NC, VINCI and EIFFAGE.

On 19 December 2013, ALSTOM Transport UK Limited, Babcock Rail Limited and Costain Limited created a joint venture company named

ABC Electrification Limited, which is involved in the electrification program of Network Rail Infrastructure Limited for the electrification of the rail network in England, Wales and Scotland. Alstom owns 33% of the joint venture.

On 8 January 2014, ALSTOM Grid Energia Ltda acquired 100% of the share capital of Reason Technologia S.A. held by various individuals, ALSTOM Grid Inc. acquired 100% of the share capital of Reason Technology Inc. from one individual and ALSTOM Grid GmbH acquired 100% of the share capital of RT Measurement Technologies GmbH from one individual. The Reason companies acquired are involved in the design, manufacture and sale of equipment in the electronic, mechanic and information technology areas applied to the measurement and recording domains.

On 10 January 2014, ALSTOM Holdings acquired 25% of the share capital of SEC ALSTOM (Wuhan) Transformers Co. Ltd. from Shanghai Electric Company and 50% of the share capital of SEC ALSTOM (Wuhan) Transformers Co. Ltd. from SEC ALSTOM (Shanghai Baoshan) Transformers Co. Ltd.

Details on direct or indirect shareholdings sold during fiscal year 2013/14

On 30 July 2013, ALSTOM Renovables España, S.L. and Alstom Renewable Technologies SAS sold to ABB Ring Motors Spain, S.L. the business of design, engineering and manufacturing of ring motors based in Spain.

On 20 December 2013, ALSTOM UK Holdings Limited sold 35,156 shares of AWS Ocean Energy Limited, representing all of its share capital in the company, to 4c Marine Ltd.

On 20 December 2013, ALSTOM Holdings sold its 30% of the share capital of SEC ALSTOM (Shanghai Lingang) to Shanghai Electric Company.

On 1 April 2014, ALSTOM Holdings and ALSTOM NV signed a Share Purchase Agreement relating to the sale of the Thermal Power Sector's auxiliary components business to Alison Bidco S.A R.L and its affiliates, consisting of ALSTOM Power Energy Recovery GmbH in Germany, ALSTOM Shanghai Aohan Energy Recovery Systems in China, ALSTOM KK and Nihon Kenryo in Japan, and Air Preheaters Equipamentos Ltda in Brazil, as well as business operations of ALSTOM Power Inc. in the USA, business operations of ALSTOM Technical Services (Shanghai) Co. Ltd. In China, business operations of ALSTOM s.r.o. in the Czech Republic, business operations of ALSTOM India Limited in India, and technology assets of ALSTOM Technology Limited.

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 6 May 2014, date of approval of the latest statutory and consolidated accounts published.

FINANCIAL RATING

ALSTOM is rated by the rating agencies Moody's Investors Services and Standard & Poor's since May 2008. These ratings, and their evolution over the year are the following as of 6 May 2014.

Agencies	May 2013	May 2014
Moody's Investors Services		
Short-term rating	P-2	P-3
Long-term rating ⁽¹⁾	Baa2 (outlook negative)	Baa3 (outlook negative)
Standard & Poor's		
Short-term rating	A-2	A-3
Long-term rating ⁽²⁾	BBB (outlook negative)	BBB - (outlook stable)

(1) Moody's Investors Services revised the long-term credit rating from Baa2 to Baa3 (outlook stable) on 20 June 2013, and revised the long-term outlook from stable to negative on 23 January 2014.

(2) Standard & Poor's revised the long-term credit rating from BBB (outlook negative) to BBB - (outlook stable) and revised the short-term credit rating from A-2 to A-3 on 24 April 2014.

INFORMATION ON THE SHARE CAPITAL

As of 31 March 2014, Alstom's share capital amounted to €2,160,915,022 consisting of 308,702,146 shares of the same class and fully paid with a nominal value of €7 per share, following the operations completed during fiscal year 2013/14, which are detailed in the table pages 317 and 318 in section "Changes in share capital" below.

As of 15 May 2014, the share capital amounted to € 2,162,726,538 divided into 308,960,934 shares of € 7 par value each, resulting from the issuance of 258,788 new shares since 31 March 2014, i.e. (i) 29,482 new shares following the exercise of stock options, and (ii) 229,306 new shares following the free allocation of performance shares under the Plan 2011-LTI N°14 carried out on 15 May 2014.

There are no double voting rights or voting rights restrictions attached to the shares comprising the share capital. The number of voting rights is identical to the number of shares.

To the knowledge of the Company, there is to date no pledge on 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 2 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 6 May 2014 and their use during fiscal year 2013/14:

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 (AGM 26 June 2012, resolution No. 9)	Share capital: €600 million (corresponds to 29.1% of the share capital) ^{(1) (6)} Debt securities: €2 billion ⁽²⁾	None	Share capital: €508,067,544 (corresponds to 23.5% of the share capital) ⁽⁶⁾ Debt securities: unchanged	26 August 2014 (duration: 26 months)
Delegation of competence to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right and option to offer a priority right (AGM 26 June 2012, resolution No. 10)	Share capital: €300 million (corresponds to 14.6% of the share capital ⁽⁶⁾ , less any capital increase with cancellation of the preferential subscription right and private placement and any capital increase in consideration of contributions in kind issued by virtue of resolutions No. 11, 12 and 13) ^{(1) (3)} Debt securities: €1.5 billion ⁽²⁾	None	Share capital: €208,067,544 (corresponds to 9.6% of the share capital) ⁽⁶⁾ Debt securities: unchanged	26 August 2014 (duration: 26 months)
Delegation of competence to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right and private placement (AGM 26 June 2012, resolution No. 11)	Share capital: €300 million (corresponds to 14.6% of the share capital ⁽⁶⁾ , less any capital increase with cancellation of the preferential subscription right and public offer and in consideration of contributions in kind issued by virtue of resolutions No. 10, 12 and 13) ^{(1) (3)} Debt securities: €1.5 billion ⁽²⁾	Share capital: €91,932,456	Share capital: €208,067,544 (corresponds to 9.6% of the share capital) ⁽⁶⁾ Debt securities: unchanged	26 August 2014 (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 (AGM 26 June 2012, resolution No. 12)	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. 9, 10 and 11) ^{(1) (3)}	None	Maximum nominal amount authorised	26 August 2014 (duration: 26 months)
Delegation of authority to increase the share capital by up to 10% of the share capital in consideration of contributions in kind (AGM 26 June 2012, resolution No. 13)	10% of the share capital to be deducted from the overall limits set in resolutions No. 10 and 11 ^{(1) (3)}	None	Maximum nominal amount authorised	26 August 2014 (duration: 26 months)

Nature of the authorisation	Maximum nominal amount authorised	Nominal amount used during expired fiscal year	Available amount	Expiry/ Duration
OFFERINGS TO EMPLOYEES AND EXECUTIVES				
Delegation of authority to issue shares and other securities granting rights to the share capital reserved for members of a Group savings plan (AGM 26 June 2012, resolution No. 14)	2% of the share capital at the date of the Shareholders' Meeting, less any amount issued by virtue of resolution No. 15 ⁽¹⁾ ⁽⁴⁾	None	Maximum nominal amount authorised	26 August 2014 (duration: 26 months)
Authorisation of free allocation of existing or new shares to employees (AGM 2 July 2013, resolution No. 9)	1% of the share capital at the date of the Shareholders' Meeting, to be deducted from the overall limit set in resolution No. 10 below ⁽⁵⁾	1,000,700 shares <i>i.e.</i> 0.32% of the share capital as of the attribution date ⁽⁷⁾	2,084,157 shares <i>i.e.</i> 0.68% of the share capital ⁽⁸⁾ , to be deducted from the overall limit set in Resolution No. 10 below	1 September 2016 (duration: 38 months)
Authorisation to grant stock options to subscribe or purchase shares (AGM 2 July 2013, resolution No. 10)	2.5% of the share capital at the date of the Shareholders' Meeting, less any amount issued by virtue of resolution No. 9 above ⁽⁵⁾	671,700 options <i>i.e.</i> approx. 0.22% of the share capital as of the attribution date ⁽⁷⁾	7,040,443 options less any amount issued by virtue of Resolution No. 9 above, resulting in a remaining balance available of 6,039,743 options <i>i.e.</i> 1.96% of the share capital ⁽⁸⁾	1 September 2016 (duration: 38 months)

SHARE BUYBACK AND REDUCTION OF THE SHARE CAPITAL

Share buyback authorisation (AGM 2 July 2013, resolution No. 7)	10% of the share capital as of 31 March 2013	None	Maximum authorised amount	2 January 2015 (duration: 18 months)
Authorisation to reduce the share capital (AGM 2 July 2013, resolution No. 8)	10% of the share capital	None	Maximum authorised amount	2 July 2015 (duration: 24 months)

- (1) Global limitation of the capital increases resulting from these seven authorisations to €600 million corresponding to 29.1% of the share capital as of 31 March 2012 (before any adjustments).
- (2) Global limitation of the amount of debt securities resulting from these authorisations to €2 billion.
- (3) Global limitation of capital increases resulting from these four authorisations to €300 million corresponding to 14.6% of the share capital as of 31 March 2012 (before any adjustments).
- (4) Global limitation of capital increases related to employee shareholding to 2% of the share capital (before any adjustments).
- (5) Global limitation of capital increases resulting from these authorisations to grant stock options and performance shares to 2.5% of the share capital as of the Shareholders' Meeting (before any adjustments). This amount does not reduce the global amount of €600 million.
- (6) On the basis of the share capital as of 31 March 2012.
- (7) Corresponding to the long term incentive plan (LTI No. 16) implemented on 1 October 2013 entirely subject to achievement of performance targets (see section "Corporate Governance – Interests of the officers and employees in the share capital" and see Note 22 to the consolidated financial statements as of 31 March 2014).
- (8) On the basis of the share capital as of 31 March 2014.

It will be proposed to the next Shareholders' Meeting to be held on 1 July 2014 to renew all of the delegations to issue capital securities which will expire in 2014 in order to enable the Company to continue to secure the means to finance its growth strategy and seize any market opportunities.

Within the framework of the proposed financial delegations, the total amount of capital increases which would be authorised (13th, 14th, 15th, 16th and 17th resolutions including employee shareholding transactions issuances as per the 18th and 19th resolutions) would remain subject to a ceiling of approximately 50% of the share capital as of 31 March 2014, (as opposed to 30% for previous authorizations) or €1,080 million (overall limit), including a maximum of €215 million or 10% of the share capital as of 31 March 2014 (as opposed to 15% for previous authorizations) for capital increases with no preferential subscription right (through public offers or private placements) which include the capital increases in consideration of contributions in kind (17th resolution) for which the 10% ceiling does not autonomously apply. The delegation of authority

proposed in the context of the 16th resolution to increase the amount of the initial issuance by up to 15% with or without preferential subscription right, is not autonomous and would therefore be included in the aggregate ceiling authorised for the initial issuance and in the overall ceiling set under the 13th resolution.

It is also proposed to renew the authorisations related to capital increases relative to employee shareholding transactions (18th and 19th resolutions) 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 €1,080 million set in the 13th resolution. These authorisations are intended for the development of employee savings, which total 1.27% of the share capital of the Company as of 31 March 2014 (either directly or *via* Alstom's *Fonds Commun de Placement* (French Mutual Fund, or "FCP").

It will be also proposed to the next Shareholders' Meeting to renew the share buy-back authorisation (see page 321 hereafter)

CHANGES IN SHARE CAPITAL

	Number of shares issued	Nominal amount of capital increase or decrease (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
31 MARCH 2011				294,419,304	2,060,935,128
Increase in share capital resulting from the exercise of options (30 April 2011)	20,649	144,543	280,713.68	294,439,953	2,061,079,671
Increase in share capital resulting from the exercise of options (31 May 2011)	19,750	138,250	307,890.50	294,459,703	2,061,217,921
Increase in share capital resulting from the exercise of options (30 June 2011)	48,484	339,388	793,850.70	294,508,187	2,061,557,309
Increase in share capital resulting from the exercise of options (31 July 2011)	7,513	52,591	72,048.00	294,515,700	2,061,609,900
Increase in share capital resulting from the exercise of options (31 August 2011)	133	931	176.00	294,515,833	2,061,610,831
Increase in share capital resulting from allocation of shares under the plan LTI No. 10 (30 September 2011)	118,480	829,360	-	294,634,313	2,062,440,191
Increase in share capital resulting from the exercise of options (31 October 2011)	515	3,605	800.00	294,634,828	2,062,443,796
Reduction in share capital resulting from the cancellation of repurchased shares (3 November 2011)	(150,000)	(1,050,000)	(2,684,901.12)	294,484,828	2,061,393,796
Increase in share capital resulting from the exercise of options (30 November 2011)	8,358	58,506	59,072.00	294,493,186	2,061,452,302
Increase in share capital resulting from the exercise of options (31 December 2011)	4,966	34,762	13,225.60	294,498,152	2,061,487,064
Reduction in share capital resulting from the cancellation of repurchased shares (16 January 2012)	(50,000)	(350,000)	(855,242.07)	294,448,152	2,061,137,064
Increase in share capital resulting from the exercise of options (31 January 2012)	8,600	60,200	41,600.00	294,456,752	2,061,197,064
Increase in share capital resulting from the exercise of options and of ORA ⁽¹⁾ (29 February 2012)	58,608	410,256	595,490.40	294,515,360	2,061,607,520
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 March 2012)	18,320	128,240	103,808.00	294,533,680	2,061,735,760
31 MARCH 2012				294,533,680	2,061,735,760
Increase in share capital resulting from the exercise of options (30 April 2012)	3,079	21,553	26,075.52	294,536,759	2,061,757,313
Increase in share capital resulting from the exercise of options (31 May 2012)	81,657	571,599	3,214.40	294,618,416	2,062,328,912
Increase in share capital resulting from the exercise of options (30 June 2012)	190,071	1,330,497	907,313.60	294,808,487	2,063,659,409
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 July 2012)	5,353	37,471	17,840.00	294,813,840	2,063,696,880
Increase in share capital resulting from the exercise of options (31 August 2012)	16,291	114,037	81,745.60	294,830,131	2,063,810,917
Increase in share capital resulting from the exercise of options (30 September 2012)	17,830	124,810	72,793.60	294,847,961	2,063,935,727
Increase in share capital without preferential subscription rights within the framework of an offer referred to in article L. 411-2-II of the French Monetary and Financial Code (4 October 2012)	13,133,208	91,932,456	250,735,537.71	307,981,169	2,155,868,183
Increase in share capital resulting from the exercise of options (31 October 2012)	367	2,569	560.00	307,981,536	2,155,870,752

(1) Subordinated bonds reimbursable into shares issue 2% December 2008.

	Number of shares issued	Nominal amount of capital increase or decrease (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
Increase in share capital resulting from the exercise of options (30 November 2012)	28,600	200,200	162,688.00	308,010,136	2,156,070,952
Increase in share capital resulting from the exercise of options (31 December 2012)	27,311	191,177	231,520.00	308,037,447	2,156,262,129
Increase in share capital resulting from the exercise of options (31 January 2013)	20,419	142,933	147,649.60	308,057,866	2,156,405,062
Increase in share capital resulting from the exercise of options (28 February 2013)	25,526	178,682	154,020.48	308,083,392	2,156,583,744
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 March 2013)	74,734	523,138	641,448.52	308,158,126	2,157,106,882
31 MARCH 2013				308,158,126	2,157,106,882
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (30 April 2013)	816	5,712	4,310.40	308,158,942	2,157,112,594
Increase in share capital resulting from the exercise of options and allocation of performance shares under the plan LTI No. 13 (31 May 2013)	244,680	1,712,760	43,072.00	308,403,622	2,158,825,354
Increase in share capital resulting from the exercise of options (27 June 2013)	1,500	10,500	2,400.00	308,405,122	2,158,835,854
Increase in share capital resulting from the exercise of options and allocation of free shares under the plan Sharing Plus 2007 (31 July 2013)	86,663	606,641	9,600.00	308,491,785	2,159,442,495
Increase in share capital resulting from the exercise of options (31 August 2013)	6,700	46,900	40,416.00	308,498,485	2,159,489,395
Increase in share capital resulting from the exercise of options and allocation of performance shares under the plan LTI No. 12 (30 September 2013)	133,250	932,750	203,619.20	308,631,735	2,160,422,145
Increase in share capital resulting from the exercise of options (31 October 2012)	7,000	49,000	48,320.00	308,638,735	2,160,471,145
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 December 2013)	44,609	312,263	155,018.60	308,683,344	2,160,783,408
Increase in share capital resulting from the exercise of options, of ORA ⁽¹⁾ and allocation of performance shares under the plan LTI No. 13 (31 January 2014)	9,808	68,656	18,892.00	308,693,152	2,160,852,064
Increase in share capital resulting from the exercise of options (28 February 2014)	500	3,500	800.00	308,693,652	2,160,855,564
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 March 2014)	8,494	59,458	42,037.60	308,702,146	2,160,915,022
31 MARCH 2014				308,702,146	2,160,915,022

(1) 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 2014:

	Share capital as of 31 March 2014		Share capital as of 31 March 2013		Share capital as of 31 March 2012	
	Number of shares	% of the share capital and 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	147,545,217	47.79%	159,101,838	51.64%	148,630,540	50.46%
Bouygues SA	90,543,867	29.33%	90,543,867	29.38%	90,543,867	30.74%
FMR LLC	12,420,078	4.02%	3,057,003	0.99%	7,229,711	2.45%
Franklin Resources Inc.	12,323,344	3.99%	21,595,004	7.01%	16,225,465	5.51%
State Street Corporation	6,295,305	2.04%	-	-	-	-
UBS Investment Bank	4,977,268	1.61%	1,523,431	0.49%	3,680,708	1.25%
Norges Bank	4,623,147	1.50%	5,835,364	1.89%	5,835,364	1.98%
Amundi	4,601,874	1.49%	6,211,754	2.02%	5,432,726	1.84%
Aviva Investors France	4,096,878	1.33%	-	-	-	-
Employees ⁽²⁾	3,921,725	1.27%	4,024,891	1.31%	4,260,214	1.45%
Caisse des Dépôts et Consignations	3,112,659	1.01%	3,056,418	0.99%	3,155,418	1.07%
AXA SA	3,063,367	0.99%	3,096,450	1.00%	-	-
Crédit Suisse Group AG	3,056,647	0.99%	2,526,162	0.82%	1,665,544	0.57%
Natixis Asset Management	2,868,506	0.93%	4,409,981	1.43%	4,438,557	1.51%
Covea Finance	1,996,760	0.65%	-	-	-	-
DNCA Finance & DNCA Finance Luxembourg	1,634,710	0.53%	1,444,960	0.47%	-	-
Edmond de Rothschild Asset Management	1,620,794	0.53%	1,731,003	0.56%	3,435,566	1.17%
TOTAL	308,702,146	100.00%	308,158,126	100.00%	294,533,680	100.00%

(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 2014, which corresponds to approximately 0.80% held directly and approximately 0.47% held through an employee mutual Fund (FCPE).

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 2014.

After 31 March 2014, the Company received the following declarations of threshold crossing:

- Amundi notified that it held on 3 April 2014, 4,654,519 shares, (1.50% of the share capital and voting rights of ALSTOM), and 6,491,600 shares on 2 May 2014 (2.10% of the share capital and voting rights of ALSTOM);
- AXA SA notified that it held on 9 April 2014, 1,287,929 shares, (0.42% of the share capital and voting rights of ALSTOM);
- UBS Investment Bank notified that it held on 15 April 2014, 5,929,458 shares, (1.92% of the share capital and voting rights of ALSTOM) and on 9 May 2014, 1,523,431 shares (0.52% of the share capital and voting rights of ALSTOM);
- Franklin Resources Inc. notified that it held on 29 April 2014, 7,610,713 shares, (2.47% of the share capital and voting rights of ALSTOM);
- FMR LLC notified that it held on 7 May 2014, 12,193,550 shares, (3.95% of the share capital and voting rights of ALSTOM);

- Paulson & Co. Inc. notified that it held on 8 May 2014, 5,000,000 shares, (1.62% of the share capital and voting rights of ALSTOM); and
- York Capital Management notified that it held on 15 May 2014 a number of shares representing 0.66% of the share capital and voting rights of ALSTOM.

To the knowledge of the Company there is no shareholders' agreement concerning the share capital of the Company.

As of 6 May 2014, to the knowledge of the Company, 43,345 shares are held by the individual Directors of the Company and 29,786 shares are held by the members of the Executive Committee (excluding Chairman and Chief Executive Officer), representing in total approximately 0.02% of Alstom's share capital and voting rights as of 31 March 2014. The company Bouygues SA, Director of Alstom since 18 March 2008, holds 29.33% of the share capital and voting rights of the Company as of 6 May 2014.

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, i.e. 500 shares.

SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

The securities 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 2014, 79,650 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 plans and performance share plans"; and
- "Corporate governance – Interest of the officers and employees in the share capital – Free shares plans for the subscribers outside France to "Alstom Sharing Offers".

Stock options

See section "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans 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 2014
Shares that may result from the exercise of existing stock option plans (*)	8,228,556	57,599,892	2.67%
Shares that may be issued on the basis performance shares plans (*)	1,856,703	12,996,921	0.60%
Shares that will be issued on the basis of the free allocation of shares for the subscribers outside France to Alstom Sharing offers	113,406	793,842	0.04%
TOTAL (*)	10,198,665	71,390,655	3.31%

(*) Subject to satisfaction of all performance conditions linked to fiscal years 2014/15 and 2015/16. See section "Information on the share capital – Interests of the officers and employees in the share capital – Stock options plans and performance shares plans" and Note 22 to the Consolidated Financial Statements for fiscal year 2013/14.

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 of the French Commercial Code, the Ordinary and Extraordinary General Meeting held on 2 July 2013 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 2013, *i.e.* a theoretical number of 30,815,812 shares for a maximum purchase price of €70, subject to adjustments in relation to operations on the share capital and for a duration of 18 months after the General Meeting expiring on 2 January 2015. The Company did not use this authorization during fiscal year 2013/14.

Presentation of the share purchase programme submitted to the approval of the Ordinary and Extraordinary General Meeting called on 1 July 2014

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 1 July 2014, 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 of objectives

Not applicable.

Objectives of the share purchase programme

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 or free allocations of shares pursuant to the conditions specified by law;
- in order to hold the shares purchased, or sell, transfer or exchange the shares purchased as part of or following any external growth transactions within the limit set forth in the 6th paragraph of Article L. 225-209 of the French Commercial Code;
- in order 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 lead the Company's market through an authorised investment services provider within the framework of a liquidity contract complying with a code of ethics agreed upon by the French *Autorité des marchés financiers* (AMF);
- as well as in order 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 2014, *i.e.*, a theoretical maximum number of 30,870,214 shares of €7 nominal value, and a theoretical maximum aggregate purchase price of €1,852,212,840 based on the maximum purchase price set hereafter.

Maximum purchase price

The purchase price may not exceed €60 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 1 July 2014, *i.e.* 1 January 2016.

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 1 October 2013, 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 €2 billion.

Using this authorisation, the Company completed the issuance presented below, within the framework of its Euro Medium Term Note Programme ("EMTM Programme") registered with the listing authority in Luxembourg (the *Commission de surveillance du secteur financier*).

Authorisation date	Issue date	Amount	Maturity	Interest rate
1 October 2013	8 July 2013	€500 million	8 July 2019	3%

DIVIDENDS PAID OVER THE LAST THREE FISCAL YEARS

The fiscal year ended 31 March 2014 records a loss which amounts to €(852,314,976.99). It will be proposed to the next shareholders' meeting called on 1 July 2014 to apply this loss for an amount of €(644,975,628.64) on the account "income carried forward" which as a result would amount to zero and for an amount of €(207,339,348.35) on the account "general reserve" which as a result would amount to € 7,263,072,309.65. As a result, no dividend will be paid to the Shareholders in respect of the fiscal year ended 31 March 2014.

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

Fiscal year (in €)	2012/13	2011/12	2010/11
Dividend per share (*)	0.84	0.80	0.62

(*) Amount eligible for the tax reduction of 40% resulting from Article 158-3-2 of the French General Tax Code.

See section "Financial statements – Statutory accounts – Appropriation of the net income for the period ended 31 March 2014".

ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A TENDER 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".

By-laws articles restricting the exercise of voting rights and the transfer of shares, or other clauses of agreements known by the Company

None.

Direct or indirect shareholdings in the Company

As of 6 May 2014, Bouygues SA holds 29.33% of the share capital and 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 0.47% of the Company's share capital and voting rights as of 31 March 2014.

Shareholders' agreements that may restrict the transfer of shares and the exercise of voting rights

To the knowledge of Alstom, there are no shareholders' agreements that may restrict the transfer of Alstom's shares and/or the exercise of Alstom's voting rights.

Specific rules governing the nomination and replacement of Directors, and the modification of the Company's by-laws

None.

Board of Directors' powers

The Shareholders' Meeting held on 2 July 2013 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 1 July 2014 to renew this authorisation, 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, including the one presented in section "Information on the Share capital – Issue of debt securities", 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 committed Credit Facility, amounting to €1.350 billion, signed on 16 December 2011 and maturing in December 2016 and, which is fully undrawn, 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 revolving committed bonding facility of a maximum amount of €9 billion maturing 27 July 2016 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 our other debts as a result of their cross-default or cross-acceleration provisions.

The joint venture agreements that Group entities have signed generally contain change of control clauses, that may trigger the obligation to sell our shareholding in these joint ventures.

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".

SHAREHOLDER INFORMATION

The role of the Investor Relations team is to provide the whole financial community – individual shareholders, institutional investors and financial analysts – with complete and regularly updated information on the Group's financial situation, strategy and its implementation.

Active communication policy for individual shareholders

Besides the Annual General Meeting, Alstom develops opportunities to meet and communicate with its individual shareholders. During the fiscal year 2013/14, the Group took part in France in the "Village des Actionnaires" in Lyon, as well as in information meetings in Amiens and Marseille, organised in association with the F2IC (the French Investment Club Federation) and the CLIFF (the French Association for Investor Relations).

The Group also organises site visits in France for individual shareholders to give them a better insight into the way the business works. This year, some of them had the opportunity to visit the Reichshoffen site specialising in train manufacturing and testing. Another group visited the Belfort site and discovered the manufacturing lines of steam turbines and generators.

In addition to periodical financial publications, Alstom offers its shareholders a range of information tools, including the shareholders' letter published twice a year in conjunction with the main financial events of the Group. As announced last year, Alstom is now issuing this shareholders' letter in digital format to reduce its carbon footprint and paper consumption.

In 2014/15, the Group plans on maintaining an active communication with its individual shareholders through similar events and by relying on the various existing communication tools.

Relations with institutional investors and financial analysts

Roadshows are organised on several occasions over the year in major US and Europe financial centres (France, the United Kingdom, Switzerland and Germany) in addition to individual and group meetings with investors and analysts throughout the year.

The Group also participates in general or sectorial conferences organised by brokerage firms in France, the United Kingdom and the United States of America. During the fiscal year, the Group also had the opportunity to present its Corporate Governance policy as well as its Social and Environmental Responsibility.

Stock market news

In 2013/14, Alstom's share price decreased by 37.6%. On 31 March 2014, the share price closed at €19.82 and the Group's stock market capitalisation stood at €6.12 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 the past 5 years' historical data, as well as financial results, presentations, Registration Documents, shareholders' letters, dates of important meetings, frequently asked questions, and a subscription service to receive the Group's press releases by e-mail. Printed copies of the Registration Document and shareholders' letters can be obtained in French and English by sending a request to the Investor Relations Department.

Contacts

Delphine Brault – Vice President Investor Relations

Alstom
3, avenue André-Malraux
92300 Levallois-Perret
Tel.: 33 1 41 49 20 00
Fax: 33 1 41 49 79 25

E-mail: investor.relations@chq.alstom.com

Toll free number from France: 0800 50 90 51, from Monday to Friday, from 9 am to 7 pm.

From abroad: +33 1 71 29 80 75 (calls will be charged at your local operator's standard international rate).

LISTING OF THE SHARES

As of 31 March 2014

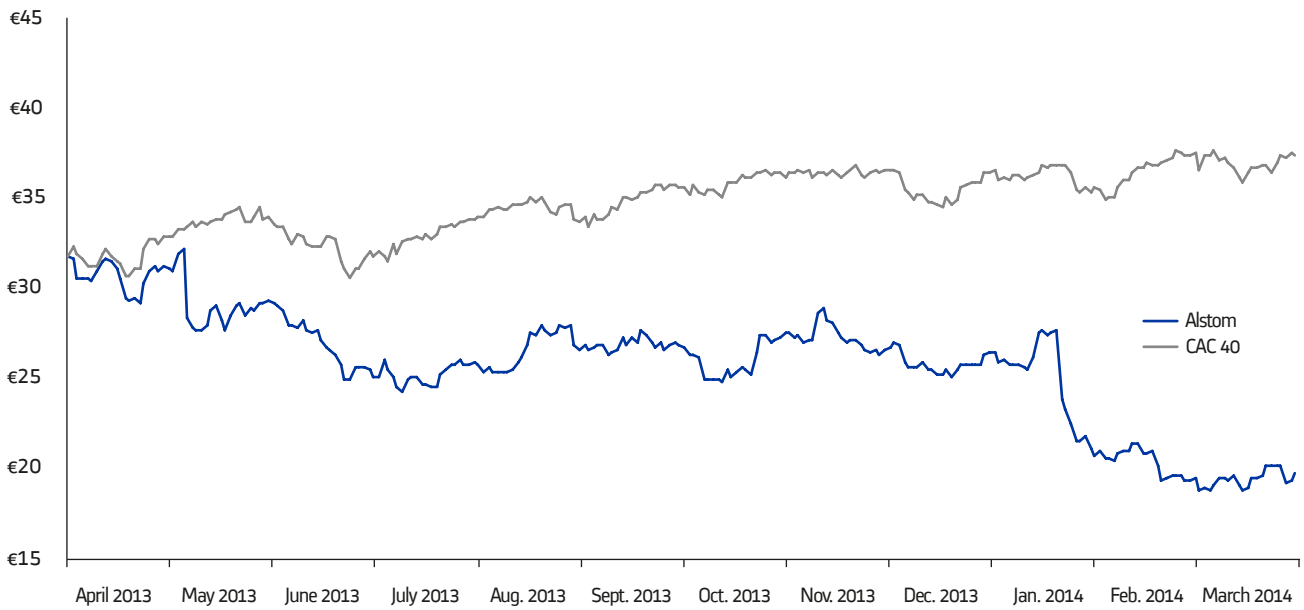


Place of listing:	Euronext Paris
ISIN Code:	FR0010220475
Ticker:	ALO
Nominal value:	€7
Number of shares:	308,702,146
Market capitalisation:	€6,118,476,534
Main indexes:	CAC 40 SBF 120 Euronext 100

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.

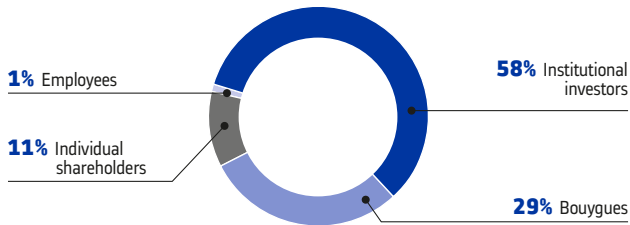
SHARE PRICE EVOLUTION (in €) – APRIL 2013/MARCH 2014



Alstom basis as of 28th March 2013: €31.75
Source: Euronext Paris.

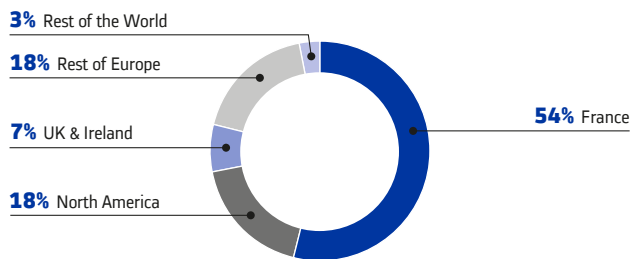
Shareholder structure

According to a shareholder study carried out by Euroclear France and Orient Capital, the Group's capital is held by approximately 250,000 shareholders. On 31 March 2014, the share capital was distributed as follows:



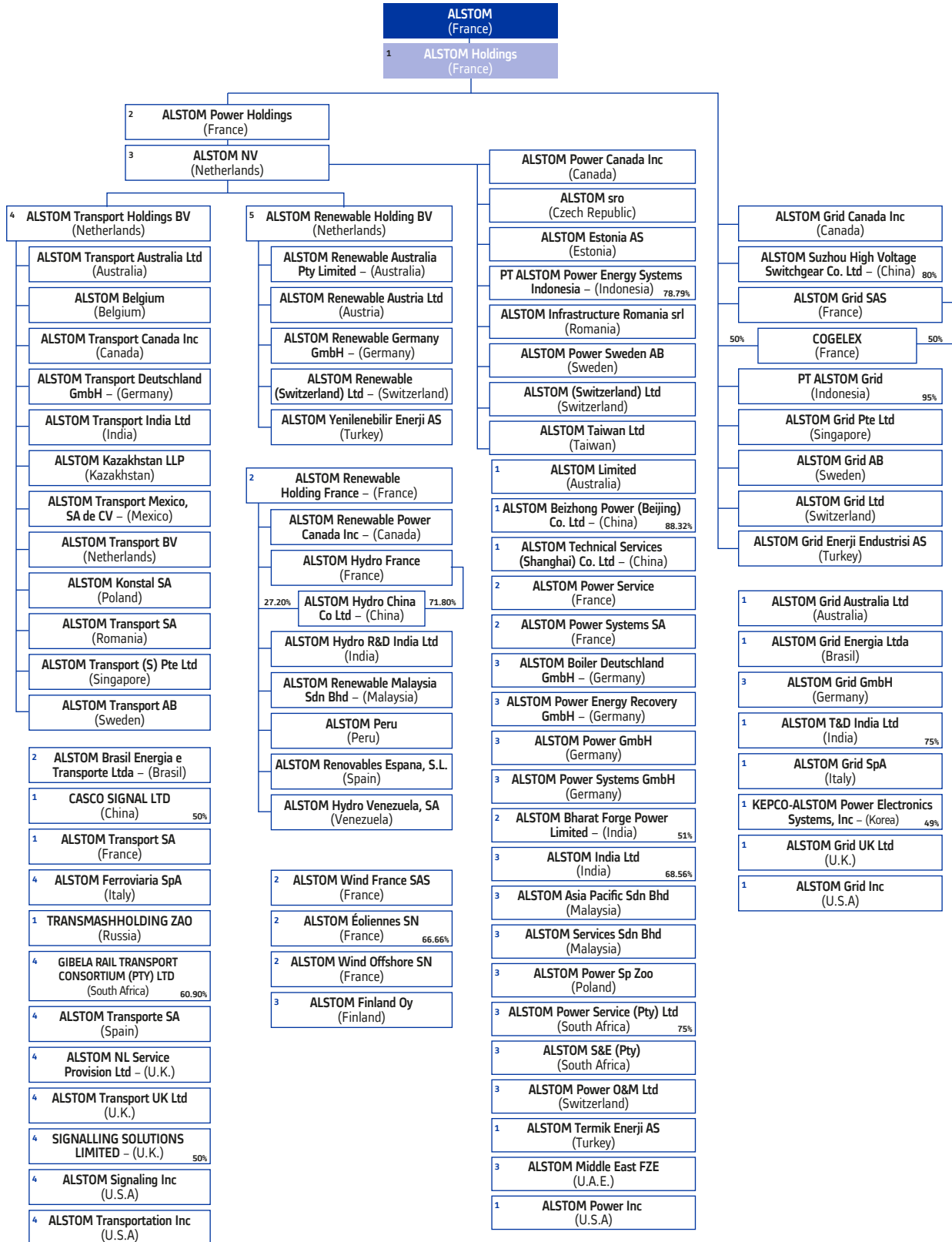
Source: Alstom

CAPITAL STRUCTURE BY REGION



Source: Alstom

SIMPLIFIED ORGANISATION CHART AS OF 30 APRIL



Nota : Unless otherwise stated, companies are directly or indirectly wholly owned. The reference number in blue given to some subsidiaries indicates their direct or indirect link in share capital with the holding company having the same number, in black.

INFORMATION ON THE ANNUAL FINANCIAL REPORT

The Alstom Annual Financial Report for fiscal year 2013/14, 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"	86 to 148
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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 2013, the Auditors' reports thereto and the Group's management report, as shown at pages 76 to 132, 135 to 149, 133 to 134, 152, 52 to 72, 156 to 163 and 6 to 49 respectively, of the Registration Document No. D.13-0571 filed with the French Stock Market Authority (*Autorité des marchés financiers*) on 29 May 2013; and

- the consolidated and statutory financial statements for the fiscal year ended 31 March 2012, the Auditors' reports thereto and the Group's management report, as shown at pages 76 to 132, 135 to 149, 133 to 134, 151, 52 to 73, 156 to 163 and 6 to 50 respectively, of the Registration Document No. D.12-0548 filed with the French Stock Market Authority (*Autorité des marchés financiers*) on 25 May 2012.

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 2013/14 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 management report included in pages 62 to 84 and pages 174 to 187 and 6 to 59 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 SA, 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 149 to 150 and 168 for the year ended 31 March 2014, and included by reference in this Registration Document for the years ending 31 March 2013 and 31 March 2012. The Auditors' reports on the consolidated financial statements for fiscal years 2012/13 and 2011/12 do not contain any emphasis of matter. The Auditors' report on the consolidated financial statements for fiscal year 2013/14, issued without qualification, contains an emphasis of matter relating to change in method following the IFRS standards applicable for the first time during the concerned fiscal year (see page 149 of this Registration Document).

Levallois-Perret, 20 May 2014.

Patrick Kron
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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