REGISTRATION DOCUMENT
Annual Financial Report
2015/16

ALSTOM
Designing fluidity

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REGISTRATION DOCUMENT 2015/16

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ALSTOM

Société anonyme with share capital € 1,533,889,525
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2015/16

REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the Autorité des marchés financiers (AMF) on 31 May 2016 in accordance with Article 212-13 of its General Regulation. It may be used in connection with an offering of securities if it is supplemented by a prospectus ("note d'opération") for which the AMF has issued a visa. This document has been prepared by the issuer under the responsability of its signatories. This Registration Document includes all elements of the Annual Financial Report specified by Article L. 451-1-2 of the Code monétaire et financier and Article 222-3 of the AMF's General Regulation. A table of reconciliation is provided on page 284. This Registration Document is available on our website: www.alstom.com.

DESCRIPTION OF GROUP ACTIVITIES

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Alstom 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 governmental spending. In this context, Alstom 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 customers and greater industrial flexibility. Its products, which constitute one of the most complete and integrated solution offerings on the market today, together with its position as a technological leader, place Alstom in a unique situation through which it is able to benefit from the worldwide growth of the rail transport market. Lastly, in order to generate profitable growth, Alstom focuses on operational excellence and product mix evolution.

INDUSTRY CHARACTERISTICS

MARKET DRIVERS

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

Urbanisation

The combination of both economic and demographic growth should entice a growing number of people to live in cities. By 2050, world population should exceed 9 billion inhabitants, of which nearly 70% will reside in urban areas (source: UNFPA, United Nations Population Fund). This trend towards urbanisation 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 cars and favour public transportation, such as metros and tramways. This change will be supported by the active promotion of public transportation which is cheaper, more sustainable and more mindful of the environment. Therefore, people responsible for urban planning and development as well as urban populations themselves will be required to find efficient, comfortable and intermodal urban transportation systems [(1)]. In this context, rail transportation offers the ideal mobility solutions in terms of safety, comfort and respect of the environment for urban and interurban transportation systems.

Moreover, the extension of suburban areas should promote this urban growth and require adapted transportation solutions. Innovations allowing reducing the environmental impacts in urban areas, 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 ones. In this respect, it has already been proven that the high-speed train is both much safer and consumes less energy than other transportation modes (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.

Sustainable development

Greenhouse gas emissions, impact of air pollution on public health, climate change, recycling, recovery, energy efficiency and noise constitute some of the most significant environmental and sustainable development concerns currently voiced by populations and politicians. Based on these criteria, rail transportation offers higher performance levels than other transportation modes, which should have a positive impact on the evolution of the rail transportation market. However, some challenges will have to be faced in these various sectors in order to meet ambitious emission reduction goals within set time frames. In addition, if concerns regarding these matters are significant in mature markets, they are gradually gaining more clout in emerging countries.

The European Union White Paper advocates 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 2030;
- over 50% of intercity passenger transportation *via* rail by 2050;
- no more standard internal combustion engine cars in cities by 2050.

On a global scale, the 2012 Rio Conference planned that, over the course of 10 years, $175 billion would be allocated towards the development of urban public transportation. More recently, in September 2014, the International Railway Association, (UIC: *Union internationale des chemins de fer*), representing 240 members on six continents, presented the UIC Low Carbon Rail Transport Challenge. This initiative responds to the United Nations Secretary General's call to bring bold pledges to the Climate Summit. The 2050 targets focus on reducing final energy consumption and average CO_2 emissions from train operations by respectively 60% and 75%, relative to a 1990 baseline (source: UIC). Alstom supports this initiative and contributes to the objectives by developing and delivering railway solutions which are both more energy efficient and attractive.

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

The Paris Agreement is a major step forward in the global fight against climate change. Indeed the COP21 process has allowed a rather ambitious vision to emerge with the objective of keeping global warming below +2°C and of reaching a balance between emission sources and sinks before end of the century.

The increased visibility of climate change consequences will drive the actions of governments and regulation bodies to limit the magnitude of this climate change by reducing greenhouse gas emissions whilst anticipating the consequences of its future evolution. Notably for the transport sector, the Lima Paris Action Agenda (LPAA) process implemented within the framework of COP21 and the numerous associated events, including the dedicated Transport Day, have given unprecedented visibility to the sector. From an international standpoint, transport is now clearly recognised overall as a sector which contributes significantly to worldwide emissions whilst offering a great potential to curb them.

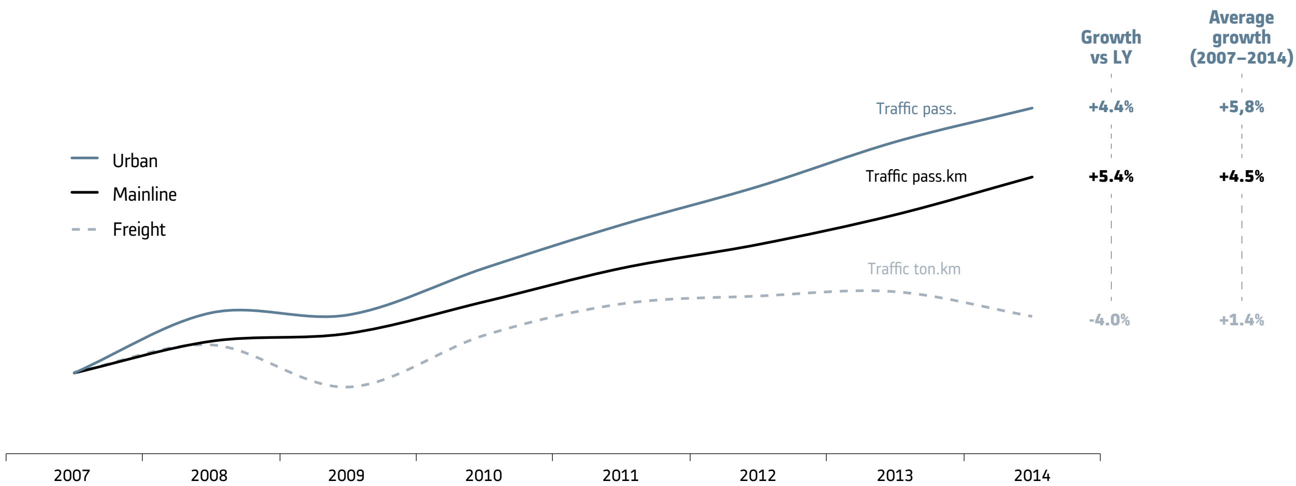
For Alstom, rail is clearly positioned today among motorised transport emitting the lowest carbon emissions by transported passenger.

Economic growth

Over the recent years, the global economy has experienced turbulence that has slowed down growth and increased public deficits. However the worldwide Gross Domestic Product (GDP) growth should remain positive: c. +4% per year forecasted between 2014 and 2020. GDP growth is driven by emerging regions such as China, India and South-East Asia (c. +6% per year) as well as Middle East/Africa (c. +5% per year) while advanced economies such as the Euro Zone and the USA are expected to experience a more moderate growth around +2.5% per year (source: IMF).

Besides, the passenger rail transport industry has not significantly been affected by the latest economic downturn. Over past years, both urban and mainline worldwide passenger traffic have grown steadily at respectively 5.8% and 4.5% average growth between 2007 and 2014. In the future, world passenger traffic should grow by 4.8% per year until 2020 (source: *SCI Verkehr*). Freight traffic is more volatile and impacted by economic environment: it has grown at 1.4% average over 2007-2014 with 4% decrease in the last year.

WORLDWIDE TRAFFIC EVOLUTION FROM 2007 TO 2014 (1)



(1) Urban traffic figures are for Top 30 cities worldwide; mainline & freight traffic figures are for all major national operators worldwide.

Governmental funding

Despite short-term budgetary constraints, the railway industry remains strategic, with investment plans throughout the world:

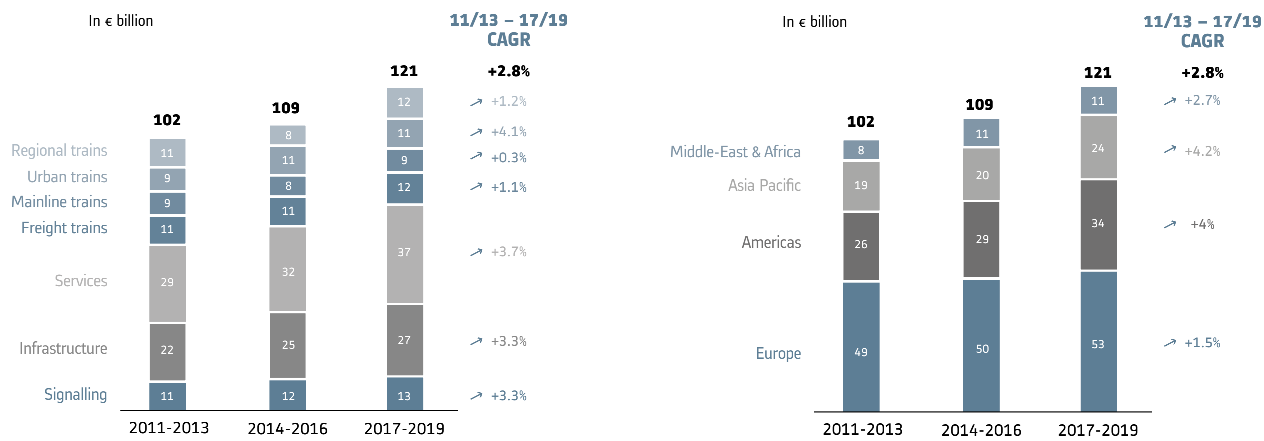
- Indian Railways has announced its plan to invest €120 billion over the next five years (2015-2019), with the objective to increase daily passenger carrying capacity from 21 million to 30 million, to increase track length by 20%, and grow annual freight carrying capacity from 1 billion to 1.5 billion tons (source: Indian Railways).
- By 2020, China will expand its urban rail transportation network by 6,000 kilometres, with a total investment of approximately €400 billion (source: *Global Times*).
- In Europe, the "Connecting Europe Facility" initiative allocates €26 billion in investments in transportation infrastructure, notably in railway infrastructure and signalling systems between 2014 and 2020 (source: European Commission).
- Public-Private Partnerships (PPP) have been established in Europe, India and Brazil, in particular.
- In the United States, the "Railroad Rehabilitation & Improvement Financing" (RRIF) was promulgated on 4 December 2015 giving access to loans up to $35 billion to the operators, the States and the transports authority to fund development and modernisation projects of railway infrastructures.

MAIN MARKETS

Market evolution

According to UNIFE (Union of European Rail Industries, *Union des industries ferroviaires européennes*), the annual accessible worldwide market for the 2014-2016 period is estimated at €109 billion. This market should grow to reach an annual average of €121 billion over the 2017-2019 period, which corresponds to an average annual growth rate of +2.8% (source: 2014 UNIFE Report).

MARKET PER REGION AND PRODUCT (1) *(annual average value)*



(1) Annual average – Accessible market

Source: UNIFE Market Study 2014

The **European market,** which is the leading accessible railway market in the world, should experience slower growth and rise from €49 billion to €53 billion per year from 2011-2013 to 2017-2019, which corresponds to an average annual growth rate of +1.5%. The situation remains quite heterogeneous from one country to another. Germany represents the largest market and should stabilise around €8.3 billion per year. The French market, at around €5 billion per year, remains difficult with several uncertainties: regional market especially impacted by lower investment in Regions, renewal of the very high speed trains normally expected in the following years thanks to the very high speed trains of the future, tramway market slow down as main cities are now equipped. *"Le Grand Paris"* programme is a key project to improve infrastructure and urban transportation. The United Kingdom's market should exceed €5.7 billion per year in 2017-2019, with major urban and regional projects. Investments continue to be made in regional segments in the Benelux and Scandinavian countries. Southern economies such as 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 2017-2019. Signalling projects should be launched in Norway, Spain, United Kingdom and Benelux, and integrated solutions projects are expected in Denmark, Finland 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 and Spain. The Russian market is impacted on the short-term by the economic crisis and geopolitical uncertainties. However long-term investments are expected in order to renew and renovate the fleet of locomotives and urban transportation systems, as well as the signalling systems and services.

Americas is the second largest region representing €29 billion per year in 2014-2016. It is expected to grow to €34 billion in 2017-2019 at +4% per year compared to the reference time period of 2011-2013. In North America, freight transportation is historically significant and represents approximately 70% of the local market. The passenger transportation segment should remain a vehicle for growth, in particular with urban transportation focusing on light rail vehicle, metros and signalling. High-speed train projects should also be developed (for example with Amtrak). More generally, opportunities in terms of maintenance services and renovations are expected. Although less significant in terms of volume, the Latin American market should continue to grow despite impact of the Brazilian crisis. Demand for urban systems in several countries of this region remains real.

The **accessible Asia-Pacific market** should increase to €24 billion per year in 2017-2019, after a slowdown of investments in China. The Indian market annual growth should grow above 10% between 2014-2016 and 2017-2019, driven by several urban projects and investments in mainline infrastructure. Other countries in the region, such as Australia and Thailand, should also experience significant growth, driven by both urban and mainline transportation projects.

Middle East and Africa market should reach about €11 billion per year in 2017-2019. Growth should be fuelled mainly by several urban systems projects in Saudi Arabia, Israel and the United Arab Emirates, as well as the continuation of investments in South Africa. In addition, Algeria, Turkey and Egypt are active in railway network projects. The oil price drop could potentially delay some railway networks projects in oil and gas producing countries.

COMPETITIVE POSITION

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

Alstom has a large variety of competitors in the railway industry acting globally or locally and covering part of or the entire portfolio. Among which Bombardier Transportation offers a similar range of products and services and is also present on an international scale. Siemens is another competitor in the rail transportation market, focusing its expansion on industrial software and automation and is particularly reliant on its powerful presence in its domestic market.

The Chinese train manufacturer CRRC, formed by the merge of CNR and CSR, mainly benefits from the development of their significant domestic market, yet is expressing international ambitions.

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

Hitachi, after the investment in the signalling and train operations of Finmeccanica (Ansaldo STS and Ansaldo Breda), becomes a global player. In addition, some Japanese groups (such as Kawasaki, Mitsubishi and Toshiba) are also present in certain markets outside Japan, but to a lesser extent.

STRATEGY

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

CUSTOMER-FOCUSED ORGANISATION

Present in 60 countries, Alstom has adapted its organisation to strengthen its international coverage and better respond to the needs of customers on a local level. Alstom benefits from solid market shares worldwide, with ambition to be No. 1 or 2 in all continents. The Company is organised into empowered regions, each with their own supply chain to answer local needs using local resources and strengths. They draw on a network of local industrial sites and strategic partnerships around the globe. The need to continuously reinforce this network as well as local competences should trigger an additional €300 million capex over the next three years.

COMPLETE RANGE OF SOLUTIONS

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

VALUE CREATION THROUGH INNOVATION

Because it ensures customers more effective solutions and reduced total cost of ownership, innovation is a source of competitiveness and differentiation for Alstom as well as a catalyst for new contracts and markets. Main programmes include complete renewal of the trains ranges (*e.g.* new range of standard metro, tramway and evolution of Avelia™ range) as well as latest innovation in services, signalling and systems (*e.g.* predictive maintenance). So, Alstom is fully focused on a forward-looking approach to understand and anticipate the expectations of operators and passengers, who are central to its innovation strategy. The Company aims that 30% of its orders will come from newly developed products by 2020.

OPERATIONAL AND ENVIRONMENTAL EXCELLENCE

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

DIVERSE AND ENTREPRENEURIAL PEOPLE

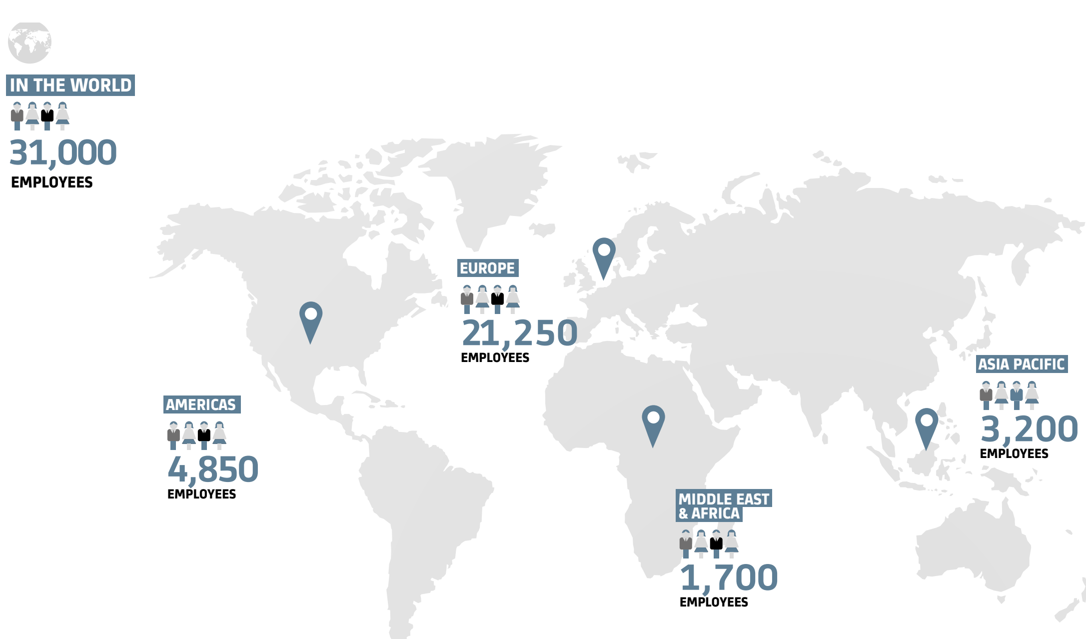
Alstom believes in differentiation as a source of performance and to reflect its passenger base, the Company encourages all types of diversity within its teams in areas such as gender and multi-culturalism. This internal cohesion is rooted in the Company's values – team, trust and action – and stringent ethical rules. Alstom's development is also underpinned by an entrepreneurial spirit that promotes customer satisfaction, responsibility and responsiveness. In this way, Alstom has the ambition to significantly increase diversity, aiming for 25% of Management or Professional roles to be occupied by women, and 50% of senior management and talent pool to be non-European within five years.

OFFERING

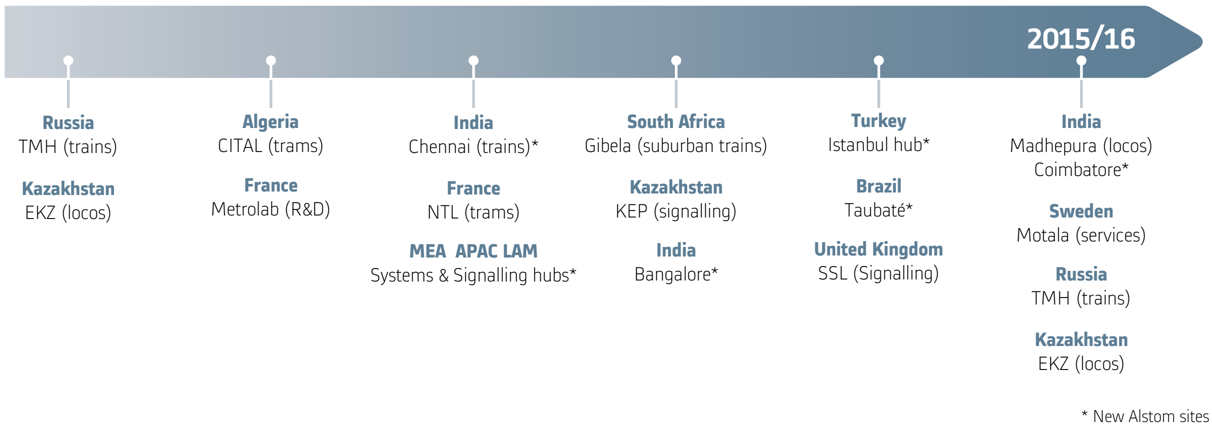
Alstom designs solutions that are very diverse and adapted to the cities, regions and countries they serve. Its organisational structure covers the entire world and relies on a network of offices, engineering centres and manufacturing sites, warehouses and maintenance centres, which guarantees the smooth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

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

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



STRATEGIC PARTNERSHIPS AND NEW SITES AROUND THE WORLD



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

TRAINS

Tramways

Alstom's CITADIS™ range sets the standard in the market, with a 15-year track record and more than 1,800 trams in service in over 50 cities around the world.

CITADIS™ X05 is the latest addition to the family. This new model is based on observation of changing demand, ongoing dialogue with transport authorities, local officials and customers, and an in-depth analysis of feedback from passengers. CITADIS™ X05 is due to enter service in Sydney in Australia in early 2019 and in Nice in France in 2018.

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

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

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

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

Alstom also launched CITADIS Spirit™ to meet demand for mobility and flexibility solutions in a number of fast-growing North American cities.

CITADIS Spirit™ is a highly customisable, modular light rail vehicle that ensures real accessibility, with a convenient low floor along its entire length. It is able to travel at speeds of up to 100 km/h. Alstom received its first order for CITADIS Spirit™ from Ottawa, Canada, comprising 34 tram-trains due to enter service in mid-2018.

Metros

Alstom has sold about 5,000 METROPOLIS™ cars to over 20 customers around the world. The range now sets the standard in the market.

The METROPOLIS™ range was designed to achieve three goals: meet the needs of as many cities as possible; improve safety and passenger experience; and reduce operating costs. METROPOLIS™ can carry up to 100,000 passengers per hour and per direction.

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

Alstom has recently been awarded a METROPOLIS™ contract and the signalling solution for the new metro network of the city of Lucknow, in India.

To meet the individual needs and requirements of its customers, Alstom also develops tailor-made metro solutions such as the MP14 trainsets. MP14 is the new generation rubber-tyred metro ordered by RATP and designed to improve passenger experience and offer a combination of performance, low energy consumption and ease of maintenance.

Alstom has delivered customised metro solutions for a number of major networks in cities such as New York (United States), London (United Kingdom), Montreal (Canada) and Lausanne (Switzerland).

Suburban and regional trains

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

With X'TRAPOLIS™, Alstom offers operators and passengers high-capacity, flexible solutions to transport users to and from suburban centres. X'TRAPOLIS™ provides outstanding capacity of up to 100,000 passengers per hour per direction. The latest addition to the range, X'TRAPOLIS Mega™, was designed specifically for the metric gauge market and high-density networks, and has already been ordered by the Passenger Rail Agency of South Africa (PRASA). First deliveries started late 2015 in South Africa, as part of a total order for 600 trains.

With 30 years of experience and more than 2,400 regional trains sold around the world, Alstom has set the standard in the market with its CORADIA™ range. The range offers specific technical configuration adapted to the needs of each operator: CORADIA Nordic™ is designed to run in wintry conditions and withstand extremely cold temperatures; CORADIA Polyvalent™ is available in electric or dual mode (diesel and electric) and offers outstanding modularity. 17 CORADIA Polyvalent™ intercity trains have recently been ordered by Algeria's Société Nationale des Transports Ferroviaires (SNTF). CORADIA Lint™, powered by a diesel drive system, is in operation since many years in Europe and began running in March 2015 in Ottawa, Canada; CORADIA Continental™ and CORADIA Meridian™ are electric multiple units; and CORADIA Liner™ V160 also has a diesel-electric dual-mode solution.

More recently, a new technology has been launched to develop an "emission-free" generation of trains equipped with fuel cell drive. This technology has already been proven in the automotive industry.

High-speed and very high-speed trains

CORADIA Liner™ V200 represents more than 30 years of proven high-speed rail technology and offers different configurations comprising six, eight, nine or ten cars. It can accommodate up to 1,000 passengers in two combined units of ten cars and runs at 200 km/h in commercial service. CORADIA Liner™ V200 was designed from the outset with a focus on total cost of ownership.

Alstom offers one of the widest ranges of high-speed trains in the market, from articulated and non-articulated trainsets to tilting technology, single or double-decker architectures, concentrated or distributed power. Three current flagship products of the Avelia™ range – PENDOLINO™, Euroduplex™ and AGV™ – represent the culmination of 35 years of expertise and more than 940 trains in service around the world.

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

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

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

AGV™ is the first high-speed train (360 km/h) to be developed for an international, cross-border market. It features articulated trainsets and distributed power. As a result, it offers lower operating costs in terms of energy and maintenance. AGV™ is available in different configurations of multiple units including two 11-car and three seven-car trainsets. Operators can easily reconfigure interiors and seat pitches throughout the train's lifecycle.

AGV™'s energy consumption is 15-20% lower than its competitors thanks to its lighter weight, reduced number of bogies, improved aerodynamic design and permanent magnet motors.

Locomotives

The manufacturing of locomotives for the purpose of passenger or freight transportation is at the heart of Alstom's historical business activities and expertise. With over 2,200 locomotives sold throughout the world, for 15 years PRIMA™ has provided a response well adapted to operators' demands.

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

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). The Kazakh version of the EP20 (the KZ4AT) is manufactured and assembled in a factory in Astana (Kazakhstan) that opened in October 2012.

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

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

Components

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

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

SYSTEMS

Infrastructure

Alongside its expertise in the execution of track, electrification and electromechanical equipment projects, Alstom develops innovative infrastructure solutions to achieve reduced costs, faster delivery or improved energy efficiency of urban transport projects. As track works play a significant role in the duration of a project, Alstom designed Appitrack™, an automated track-laying solution enabling to install urban tracks up to four times faster than with traditional methods. Alstom also co-developed HAS, a metro track solution composed of concrete sleepers on resilient pads placed in a rigid boot, attenuating ground-borne noise and vibrations. HAS is under implementation on Crossrail project, United Kingdom, with more than 5,000 sleepers being installed in sensitive sections of the line.

To deliver better energy efficiency for urban and suburban rail transport networks, Alstom created HESOP™, an advanced power-supply substation. It allows reducing energy consumption by recovering over 99% of the available energy generated by trains in braking mode, and by re-injecting it into the network to feed station equipment or back into the grid. HESOP™ is in operation on the Victoria Line of the London Underground.

Alstom also pioneered in the field of catenary-free tramway solutions, with APS™, a technology powering trams at ground level *via* a segmented third rail. To complete its catenary-free solutions, Alstom launched SRS™, a new ground-based static charging system for trams and electric buses equipped with on-board energy storage. Ordered in November 2015 by the city of Nice in France for its tramway, SRS™ will be installed on new Lines 2 and 3.

Integrated solutions

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

This is an area in which Alstom has an excellent track record. Such projects include the contracts recently signed in Sydney, Australia, in Lusail, Qatar, and Rio de Janeiro, Brazil.

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

Alstom provides the same global approach for metro systems, with recent successes sush as in Panama to equip metro Line 2 which represents a strong recognition of achievement after the delivery, in a record time of the Panama metro Line 1.To meet the needs of cities experiencing rapid growth and high population density, Alstom has developed Axonis™, a light metro system that is easy to incorporate into the urban environment. Using non-proprietary standard infrastructure, Axonis™ is able to carry between 10,000 and 45,000 passengers per hour per direction, easy to insert into a city, quick to build and driverless. The use of industry-standard subsystems such as METROPOLIS™, URBALIS™, HESOP™ and Appitrack™, along with performance optimisation and pre-defined interfaces, reduces the cost of investment, operation and maintenance.

SERVICES

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

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

Maintenance

Alstom is responsible for the maintenance of over 8,000 cars (12,000 cars with PRASA) in approximately 100 warehouses in 30 countries. Maintenance contracts are in place for periods that can vary from 5 to 30 years. Alstom's know-how with respect to railway maintenance is widely recognised, and approximately 20% of the equipment maintained by Alstom was initially manufactured by other market players in the railway industry (source: Alstom).

Furthermore, HealthHub™ provides solutions for infrastructure maintenance, assessing the condition of tracks and catenaries in real time using the TrackTracer™ and CatenaryTracer™ data capture solutions. The system identifies parts that need to be repaired or replaced and suggests the best time to carry out the work. This provides a number of benefits for operators, including reduced infrastructure lifecycle costs, more fluid management of maintenance through more efficient scheduling for teams and parts, and greater fleet and infrastructure availability. TrackTracer™ and CatenaryTracer™ underwent extensive testing on the tramway infrastructure in Reims, France, during one year in 2014 and have been installed on a permanent basis beginning of 2016. TrackTracer™ and CatenaryTracer™ have also been used for infrastructure audits on tram systems in Australia, France, Italy and United Arab Emirates (UAE) and on metro systems in Brazil.

Modernisation

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

Parts and repairs

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

Support services

Support services include the training of personnel by 150 experts, in particular train drivers, technical assistance for the management of the lifecycle of products, fleet control, and the management of obsolescence. Today, Alstom provides its technical expertise, in particular, to a fleet that includes over 1,800 trains, and it remotely manages over 700 trains throughout the world. Alstom has launched a "Services customer web portal" to strengthen its proximity with its customers: ordering spare parts, training offers and Alstom's technical expertise are directly available to them through this portal. Although this activity does not currently generate significant revenues, it offers the benefit of creating closer ties with clients and, in doing so, building long-term relationships.

SIGNALLING

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

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

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

Smartlock™ and Smartway™

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

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

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

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

Mainline networks

ATLAS™ solution

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

ATLAS™ solutions are now deployed in 23 countries and on more than 2,200 trains in full commercial services comprising more than 100 different train types.

ITCS solution

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

Urban networks

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

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

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

URBALIS™ solution

Alstom's URBALIS™ range of signalling solutions uses CBTC technology. URBALIS™ 400 accurately controls the movement of trains, allowing more of them to run on the line at higher frequencies and speeds in total safety – with or without drivers. Alstom has equipped more than 1,200 km of metro line, representing around 30% of radio-based CBTC solutions in use worldwide.

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

Pegasus 101

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

Network and passenger monitoring and surveillance systems

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

Alstom's solutions focus on passenger safety and the management of information intended for them. With over 80 control centres located throughout the world, Alstom is one of the few market players that benefits from a sufficient amount of credibility and experience to lead projects that involve the management of several lines.

Iconis™ and RailEdge™ control centre

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

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

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

Passenger information and entertainment

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

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

Alstom's passenger information and entertainment system (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 train products.

Security

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

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

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

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

RESEARCH AND DEVELOPMENT

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

DEVELOPMENT OF THE RANGE

Trains

Very high-speed train of the future

Alstom is working on the very high-speed train of the future project since September 2013. The French rail industry is preparing to propose to its national and international clients a very high-speed train which is innovative and lies at the heart of an improvement and productivity strategy for the high-speed rail ecosystem. Alstom is already working with ADEME and several partners (suppliers, competitiveness clusters or research institutes for instance) to develop the project. The very high-speed train of the future will offer a capacity of up to 750 seats and its total cost of ownership will be optimised with a strong reduction in energy consumption (objective: -35%) as well as greatly reduced maintenance costs compared to current trains.

CITADIS™ X05

The tramway market 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 motors that reduce energy consumption. Efforts have also been made to reduce maintenance costs and comply with both current standards and those under development. Moreover, a complete range of catenaryless solution is proposed on CITADIS™ X05 range. Finally, 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 and first tramways have been sold in Sydney and Nice.

New standard metro

The metro market is booming and will continue to grow in the coming years. To expand the current Alstom offer, new standard metro is launched which is a range of metros from two to six cars in different width and length, in aluminium or stainless steel and based on proven components' use. This range has an ambition to do a breakthrough in terms of competitiveness, both in acquisition and life cycle cost.

Zero emission Regional Train

Hydrogen Fuel cell is a leading technology to replace conventional Diesel or gas engines. To replace trains powered by Diesel powerpacks, Alstom is developing with the support of the German federal government and in partnership with DLR, a German research institute, a Zero-emission train featuring fuel cells and energy storage system. Over the fiscal year, Alstom has signed several letters of intent for the use of this new generation of emission-free train in Germany.

Silicon Carbide (SiC) to improve power converters performance

Alstom has studied silicon carbide power components for many years for auxiliaries and traction converters. After an auxiliary converter demonstrator implemented in Milano Metro in 2014 in the framework of the collaborative EU-funded program OSIRIS, Alstom has launched the development of SiC auxiliary converters for various applications. Applications of these components in the area of traction are also considered. The main advantages of this technology are the reduction of weight and volume of power converters, improved energy consumption and the ability in some cases to move to natural cooling with positive consequences such as noise reduction, better reliability and lower maintenance cost.

Systems

Infrastructure: SRS™

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

Integrated metro solution: Axonis™

This solution is focused on developing a network of metropolitan trains that integrates civil engineering work as well as the design of electromechanical systems. It is designed to meet the requirements of cities already facing traffic congestion by offering them a competitive solution relative to existing offers. The goal was 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 launched in late 2013.

Integrated tramway solution: Attractis™

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

Services

HealthHub™

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

Signalling

Mainline

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

INNOVATION

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

Innovation strategy

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

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

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

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

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

Innovation governance

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

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

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

More than 100 new ideas are submitted to the Innovation Board each year and around one third of them are funded *via* innovation programmes.

Main initiatives

Innovation Ecosystems

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

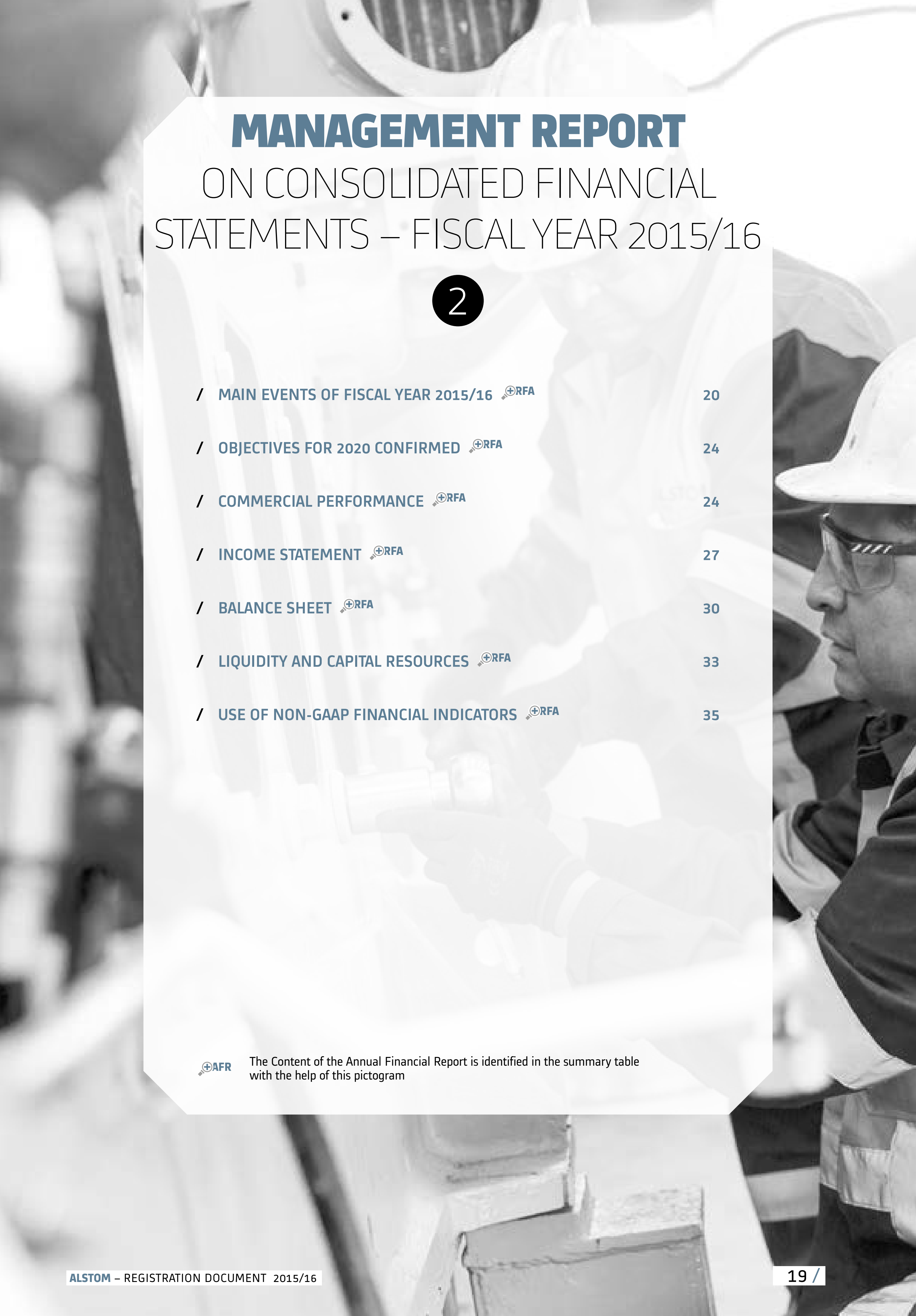
- Alstom has created a Joint Innovation Laboratory (JIL) with the *Institut national de la recherche en informatique et automatique* (INRIA) in France to reinforce its R&D and innovation in respect of the digital evolution and "systems of systems";
- Alstom is a founder of two *Instituts de recherche technologique* (IRT Railenium and IRT SystemX) and one *Institut pour la transition energétique* (ITE) (Supergrid) in France. Alstom collaborates with these research centers on power electronics (with ITE Supergrid), on system control and supervision with IRT SystemX and on energy management with IRT Railenium;
- Alstom also has framework agreements with major research centers worldwide such as Politecnico Di Milano in Italy, IMS Cincinnatti in USA or CETIM in France as a means of developing innovation and competences in key areas of interest;
- Alstom is a member of numerous clusters in France (I-Trans, LUTB, *Véhicule du Futur*…), in Belgium (Mecatech, Logistics in Wallonia) and in Italy (CRIT) in order to maintain close relationships with the ecosystems of small and medium enterprises, start-ups and universities and to set-up collaborative research programs;
- Alstom is a shareholder of a venture capital fund, Aster Capital, which targets breakthrough innovations, just a few years before their large adoption, in the areas of digital energy, connected mobility and resources. Aster Capital is a valuable support for Alstom's strategy to detect early signals and collaborate with start-ups.

Innovation contest: "I Nove You"

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

In 2015, 358 ideas were submitted by more than 1,000 participants. This shows a remarkable mobilisation of teams across the Company. Diversity was a hallmark of the awards from cultural, geographic, gender, generational and technological standpoints. Innovations came from all the Alstom Regions and from a large range of functions (R&D, Engineering, Human Resources, EHS, Project Management, etc.), which led to a high level of cross-functional initiatives encompassing different business lines and cultures.

16 projects were rewarded in the 2015 edition of the "I Nove You" contest. Many of them anticipate the development of new technologies and services linked to digitalisation such as cloud-based testing or TrainScanner™ which is a diagnosis portal for assessing wheel profile, brake pads, carbon strips and train integrity. The next contest will be organised in 2016.



MANAGEMENT REPORT
ON CONSOLIDATED FINANCIAL STATEMENTS – FISCAL YEAR 2015/16

2

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

MAIN EVENTS OF FISCAL YEAR 2015/16

ALSTOM STRATEGIC MOVE

Finalization of the transaction between Alstom and General Electric

Effective 2 November 2015, Alstom and General Electric have completed the transaction presented hereafter.

On 26 April 2014, the Board of Directors of Alstom received from General Electric an offer, updated on 20 June 2014, to acquire its Energy activities. The global transaction includes the following:

- the acquisition by General Electric of Thermal Power, Renewable Power and Grid activities as well as central and shared services;
- the creation of three alliances with General Electric;
- the acquisition by Alstom of most of General Electric's Signalling Business.

The disposal of Energy activities to General Electric simultaneously to the investment by Alstom in three Joint alliances (Grid, Renewables and Global Nuclear & French Steam) and the acquisition of General Electric's Signalling Business lead to a net cash received of €9.0 billion including the reimbursement of the net cash out of Power and Grid entities from 1 April 2014 to 2 November 2015.

Acquisition by General Electric of the Thermal Power, Renewable Power and Grid activities

By taking over Alstom's Energy activities, General Electric undertook to take on all assets as well as all liabilities and risks exclusively or predominantly associated with the Energy Business (see also 30.2.). Cross-indemnification and asset reallocation ("wrong pocket") mechanisms, over 30 years, have been established.

In few countries, authorizations from regulatory bodies or from Joint Ventures partners are still pending (mainly in Russia). Yet, the Group has already been compensated within the transaction price for those "staggered and delayed transferred assets" and this leads to a recognition of a liability of €65 million (classified in discontinued), while waiting for the precedent condition to be met. At the end of March 2016, the assets remaining accounted for as assets held for sale represent a turnover of approximately €15 million.

The capital gain on the sale on the Energy activities net of tax and other costs has been recognized under the line "Net profit from discontinued operations" and amounts to €4.2 billion. Further features on the capital gain are detailed in Note 3 to the consolidated financial statements.

Investment in three alliances

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

- the Grid alliance consisting of a combination of Alstom Grid and General Electric Digital Energy businesses (Alstom holds a 50% – one stake in each Joint venture's share capital and voting rights);
- the Renewables alliance consisting of Alstom's hydro, offshore wind and tidal businesses (Alstom holds a 50% – one stake in each Joint venture's share capital and voting rights);
- the scope of the Global Nuclear & French Steam alliance includes the production and servicing of the "Arabelle" steam turbine equipment for nuclear power plants worldwide, as well as Alstom's steam turbine equipment and servicing for applications in France. Alstom holds 20% – one share of the share capital into the joint venture company and has 50% – two votes of voting rights. The French State holds a preferred share providing veto and other governance rights over issues relating, inter alia, to security and nuclear plant technology in France.

The investment by Alstom in these alliances amounts to €2.4 billion. The Joint Venture companies are accounted for under equity method in Alstom's consolidated financial statements.

Furthermore, Alstom has liquidity rights through put options on its shares to General Electric with a minimum guaranteed exit price, corresponding to acquisition price and interests.

Main features on the joint ventures as well as existing options conditions are detailed in Note 12 to the consolidated financial statements.

Acquisition by Alstom of General Electric's signalling business

The agreements entered into with General Electric provide for the acquisition by Alstom of General Electric's signalling business (GE Signalling) in the rail sector.

The acquisition by Alstom of the GE Signalling business strengthens Alstom's position in both North America and the freight market.

The acquisition of GE Signalling has been agreed at a price of €0.7 billion (on a cash free/debt free basis), with an adjustment based on the actual level of working capital and net debt on the date of completion of the acquisition compared to a target level.

In accordance with IFRS 3R Business Combination, the Group has recognized the assets acquired and the liabilities assumed, these being measured at fair value at the acquisition date. Accordingly, a preliminary valuation has been determined. Recognized assets and liabilities may be subsequently adjusted during a maximum period of twelve months from the acquisition date, depending on new information obtained about facts and circumstances existing at the acquisition date (see also Note 3.2 to the consolidated financial statements).

Public share buy-back offer

Following the closing of this global transaction with General Electric a public share buy-back offer of €3.2 billion was submitted to shareholders' approval in a Shareholders' Meeting on 18 December 2015. This offer was running from 23 December 2015 to 20 January 2016. On 26 January 2016, the French Regulator AMF published the results of the offer.

Based on these results, the Board of Director decided on the 28 January 2016 to set the total number of repurchased shares to 91,500,000 shares (at a price of €35 per share). The Board decided also to cancel the 91,500,000 shares so repurchased and set the amount of the capital reduction to €640,500,000 (nominal value €7 per share). The Board acknowledged also that the difference between the nominal value and the repurchase price of the cancelled securities was representing a premium of €28 per share, and decided to deduct such premium together with the fees and taxes relating to the share buyback offer from "retained earnings" caption.

STRONG COMMERCIAL AND OPERATIONAL PERFORMANCE, ADJUSTED EBIT MARGIN IMPROVING

On 2 November 2015, General Electric definitively acquired the Thermal Power, Renewable Power and Grid activities as well as central and shared services (legal entities Alstom and Alstom Holdings have not been disposed) (the "Energy Business"). Further to the deal, Alstom ("the Group") is refocused on its activities in the Transport field.

For more details on the consequences of the deal on the consolidated financial statements please refer to Note 1 and Note 3 to the consolidated financial statements for the year ended 31 March 2016.

The following table sets out the Group's key performance indicators for 2015/16.

	Year ended		% variation March 2016 / March 2015	
(in € million)	31 March 2016	31 March 2015	Actual	Organic
Order Backlog	30,363	28,394	7%	14%
Orders Received	10,636	10,046	6%	7%
Sales	6,881	6,163	12%	7%
aEBIT	366	298	23%	
aEBIT %	*5.3%*	*4.8%*		
EBIT	(226)	(621)		
Net Profit from continuing operations – Group share	(1,083)	(823)		
Net Profit from discontinued operations – Group share	4,084	104		
Net Profit – Group share	3,001	(719)		
Free Cash Flow	(2,614)	(429)		
Capital Employed	3,901	857		
Net Cash/(Debt)	(203)	(3,143)		
Total employees	30,970	28,107		

During fiscal year 2015/16, Alstom's order intake increased by 7% on an organic basis at €10.6 billion. This strong commercial performance was driven by a major contract signed in India to supply electric locomotives and associated maintenance for about €3.2 billion, as well as several large intercity train orders received in Belgium and France, high-speed trains with maintenance in Italy, metro systems in Panama and freight locomotives in Azerbaijan. On 31 March 2016, the Group backlog reached a record high at €30.4 billion, representing 53 months of sales, and including around one third of services.

On an organic basis, consolidated sales increased by 7% at €6.9 billion, fed by continued growth in emerging countries including the on-going execution of PRASA contract in South Africa, deliveries in Venezuela, Singapore and Algeria, and progress made on Riyadh metro system in Saudi Arabia. The Group's sales were also driven by deliveries of intercity and suburban trains in France, Italy and Germany as well as by the execution of a maintenance contract for high-speed trains in the United Kingdom.

As disclosed in Note 2.3.5 to the consolidated financial statements, the Group decided to introduce a new key performance indicator called adjusted EBIT ("aEBIT").

During fiscal year 2015/16, the adjusted EBIT reached €366 million, compared to €298 million in fiscal year 2014/15, with an adjusted EBIT margin of 5.3% for fiscal year 2015/16 *versus* 4.8% last fiscal year thanks to volume, portfolio mix and operational excellence actions which enabled to offset price dynamics and competitive environment.

During fiscal year 2015/16, Net profit from Continuing operations (Group share) amounted to €(1,083) million. The Group was impacted by a total of €(398) million non-recurring impairment losses on assets (detailed in Note 6 to the consolidated financial statements), €(138) million of restructuring and rationalization costs, ca. €(500) million of non-recurring deferred tax assets de-recognition as well as €(67)m of non-recurring financial bonds buy-back costs.

Benefitting from the capital gain net of tax on the sale of "Energy Business", Net profit from Discontinued operations (Group share) amounted to €4,084 million.

Net profit (Group share) was at €3,001 million in fiscal year 2015/16, compared to €(719) million last year.

During fiscal year 2015/16, the Group free cash flow was negative at €(2,614) million compared to €(429) million during fiscal year 2014/15, mainly due to operating cash flow used by discontinued activities for €(1,568) million and settlement of DOJ fine for ca. €(720) million (agreement concluded with the US Department of Justice).

The net impact of the Energy Transaction closing, partly offset by the public share buy-back offer (OPRA) and by the negative free cash flow, generated a large decrease of the Group's net financial debt which stood at €(203) million on 31 March 2016 compared to €(3,143) million on 31 March 2015.

In addition to its available cash and cash equivalents, amounting to €1,961 million as of 31 March 2016, the Group can access a five years new €400 million revolving credit facility, with two possible one-year extensions, which is fully undrawn as of March 2016.

As a reminder, on 2 November 2015, the Group had a €1,350 million available revolving credit facility maturing, partially drawn and additional bridge facilities amounting to a total of €1,600 million, fully drawn. Following the Transaction, the Group repaid and cancelled the two main existing credit facilities. The new €400 million credit facility entered into force upon cancellation of the former ones.

SUPPORT TO ALSTOM'S FUTURE DEVELOPMENT

Research & Development

During fiscal year 2015/16, Alstom kept a sustained level of research and development (excluding capitalisation and amortisation), at €156 million, with a focus on differentiation and competitiveness-oriented programs.

Alstom notably focused its research and development investments to the development and the supply of sustainable solutions at reasonable costs as the recent CITADIS™ tramway X05 which aims to address the growing Light Rail Vehicle (LRV) market through its higher modularity, new functionalities, better passenger experience and enhanced performances.

During the year, Alstom also invested in the further development of its signalling solutions.

Moreover, the research and development costs included Alstom's predictive maintenance programme and HealthHub approach, an innovative tool able to monitor the health of trains, infrastructure and signalling assets using advanced data analytics to predict their remaining useful life.

In order to accompany cities in their process of solving the actual economic and environmental challenges, Alstom launched two major innovative urban solutions in June 2015:

- ATTRACTIS™, an integrated tramway system available in three months and specially designed for growing cities with high population density issues and without a tramway solution yet. Indeed, this turnkey solution is able to transport up to 14,000 passengers per hour and per direction. This innovative system, that includes Alstom's CITADIS™ tramways, is cost-effective as it allows up to 20% savings in investments compared to traditional tramway solutions. It is the first rail system to integrate the Information Technology for Public Transport which offers transportation information solutions to passengers;
- SRS™, a ground-based static charging technology for both tramways and electrical buses. This system results in the improvement of the Alstom APS™ solution used by CITADIS™ tramways and which supplied them electricity while the tramways are still running. Thanks to compact power supply cabinets integrated into stations, SRS™ allows the charging of the tramway battery in less than 20 seconds when the tramway stops. Alstom also announced the extension of APS™ application to hybrid trucks.

Finally, on 15 December 2015, in order to develop 'Very high-speed train of the future', the creation of SpeedInnov, a new joint venture owned by Alstom and ADEME* *(Agence de l'environnement et de la maîtrise de l'énergie),* was announced by the French ministries of transport, research, energy and industry. The project aims at promoting a new generation of very high-speed trainset which will improve railway performance, increase the trainset capacity with up to 750 seats and lower the energy consumption by nearly 35%. While focusing on the improvement of the environmental impact, the program will also allow the reduction of the whole cost of the trainset production and the maintenance costs for current trainset.

Investments

During fiscal year 2015/16, Alstom invested €154 million in capital expenditures (excluding capitalised development costs) in order to extend its positions in the growing markets and to reinforce its competitive advantage in developed countries.

In order to strengthen its position in growing economies, Alstom extended its rolling stock facility in Sri City, India, to accompany an increase of production of the site both for the domestic and export markets.

In March 2016, Alstom started the construction of the Gibela factory located in Dunnottar, South Africa. The first trains of the PRASA contract will be manufactured there at the end of 2017.

In Brazil, the Group completed the construction of its Taubaté tramway factory, including the installation of a dynamic test track.

In Spain, Alstom acquired the industrial facilities of the Santa Perpètua de Mogoda plant in Barcelona through the exercise of its purchase option, following the leasing of the facilities. The Santa Perpètua factory of 35-hectare is able to manufacture high-speed trains, regional trains, tramways and metros. In addition to the manufacturing workshops, the industrial facility has testing workshops, a track for dynamic testing, and an engineering centre.

* French environment & energy management agency.

Acquisitions and Partnerships

On 27 May 2015, Alstom bought Balfour Beatty's shares of Signalling Solutions Ltd (SSL), which was a 50-50 joint-venture between Alstom and Balfour Beatty since 2007. This growth strategy makes Alstom become the sole owner of SSL and one of the major players in the supply of advanced signalling solutions to the United Kingdom and Ireland's rail sectors. SSL currently employs 540 people in four main locations.

In Sweden, Alstom acquired Motala Train AB, a company focused on the refurbishment, heavy maintenance and repair of passenger trains, and became the sole owner of the company. Established in Motala and Västerås, in the region of Stockholm, Motala Train AB generated a turnover of around €15 million per year. Accounting for 70% of its business, the company's main activity is its refurbishment service which includes the renovation of interiors and upgrades to key technical systems.

In Russia, Alstom increased its stake to 33% in Transmashholding (TMH), the largest railway engineering company in Commonwealth of Independent States (CIS) in terms of sales volume, by purchasing an additional 8% shares for €54 million. This operation led to a reinforcement of the six-year collaboration between the two partners who aim to extend the supply of high-performing trains, the delivery of turnkey railway projects, infrastructure and signalling, as well as the export of products and components.

In Kazakhstan, Alstom became the main shareholder of EKZ, an electric locomotives producer, with 50% of the company and two seats in the EKZ Board of Directors, after purchasing additional 25% of the shares. Both Kazakhstan Temir Zholy and Transmashholding hold 25% of the joint venture. An agreement was also signed regarding the supply of on-board transformers for the electric locomotives by EKZ to Alstom.

In Algeria, CITAL, the industrial company for the maintenance and assembly of Alstom CITADIS™ tramways jointly owned by Alstom, Ferrovial and EMA (Entreprise du Métro d'Alger), announced the prolongation of the Memorandum of Understanding signed in December 2014, which allows the extension of their activity to the engineering, manufacturing and maintenance of intercity trains for Algeria. They also inaugurated their new site in Annaba and introduced SNTF [1] as a new shareholder of the joint venture.

As indicated in Part 1.1 of this document and in Note 1 to the consolidated financial statements for the year ended 31 March 2016, Alstom and General Electric have completed the global Transaction including:

- the acquisition by General Electric of Thermal Power, Renewable Power and Grid activities as well as central and shared services;
- the creation of three alliances with General Electric;
- the acquisition by Alstom of General Electric's Signalling business.

GROUP CORPORATE RESPONSIBILITY

Environment, Health and Safety (EHS)

During fiscal year 2015/16, Alstom successfully maintained its efforts to reduce the environmental footprint of its operations. The Group showed a good trend in most of the indicators concerning its environmental performance of operations. Energy intensity (energy consumption per hours worked) was reduced by 2.3% and associated CO_2 intensity by 2.2%.

100% of Alstom manufacturing sites over 200 employees have maintained their ISO 14001 certification while 60% of the Regional Centers are now certified in line with the objective to certify all of them by 2017.

About occupational safety, the Alstom Zero Deviation Plan (AZDP) remains the "keystone" of Alstom actions throughout the Group. This programme targets high-risk activities and the protection of employees and contractors worldwide from the potential risks of working in an Alstom workshop, factory, test facility or construction site. A new audit campaign covered over 60 sites to check compliance to 11 Alstom Safety Directives, which have been slightly reviewed to make requirements even more consistent with specific railway risks.

As a consequence, the number of severe accidents has reduced. No work place related fatality was recorded for the third consecutive year. Following a tragic car accident in India where two employees lost their lives while travelling to work, Alstom has introduced a specific "number of travel fatalities" indicator in the Group.

The injury frequency rate [2] is now reaching 1.8, in line with the target set for Alstom on its new perimeter.

Corporate Social Responsibility (CSR)

During fiscal year 2015/16, the Sustainability & CSR organisation has established a new governance and put in place a cross-functional Sustainability Steering Committee to manage initiatives. The Sustainability materiality matrix has been updated to be refocused on transport related Sustainability issues for the new Alstom perimeter.

(1) *Société Nationale des Transports Ferroviaires, Algeria's national rail transport company.*
(2) Number of work-related injuries which prevent the injured person from carrying out work for a period of at least one full day per million of hours worked.

Alstom has contributed to the visibility of transportation issues and the promotion at the COP21 in Paris, France through its support to the Paris Process on Mobility and Climate. Alstom has also published its updated energy commitments, including the objective to reduce energy consumption in solutions by 20% by 2020 *versus* 2014 baseline.

Alstom successfully maintained its listing in the DJSI [(1)] World & Europe for the fifth year.

In the frame of the Transaction with General Electric, it was decided to keep the Foundation within the Alstom organisation. In January 2016, the Board of the Foundation approved 18 new projects in emerging and developed countries.

OBJECTIVES **FOR 2020 CONFIRMED**

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

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

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

COMMERCIAL PERFORMANCE

During fiscal year 2015/16, Alstom recorded €10,636 million of orders received, an increase of 7% *versus* last year on a comparable basis. This steady growth was notably driven by a major contract signed in India to supply electric locomotives and associated maintenance for about €3.2 billion. During fiscal year 2014/15, the Group also recorded a high performance due to the jumbo contract signed with PRASA in South Africa for around €4 billion.

During fiscal year 2015/16, Alstom recorded several large intercity train contracts including the supply of double-deck cars in Belgium as well as CORADIA™ Polyvalent trains in France and in Algeria. Regarding the locomotive market, Alstom was awarded contracts to provide freight locomotives in Azerbaijan and bi-modal locomotives in Switzerland. In Italy, the Group will supply high-speed trains associated with a 20-year maintenance contract.

As for the Systems product line, orders were fuelled by metro contracts in Panama for an integrated system and an option for 70 metro cars, as well as by a major contract for the electrification, signalling and supply of a telecommunications system in India.

Concerning Services, in addition to the two associated maintenance contracts mentioned above in India and in Italy, a major order was firmed for the maintenance of locomotives in Kazakhstan.

Finally, as for the Signalling business, Alstom won some major contracts, notably to upgrade the signalling systems of several metro lines in Hong Kong and to provide a new integrated train control centre in Canada.

(1) Dow Jones Sustainability Indices.

Alstom
Geographic breakdown

Actual figures *(in € million)*	Year ended 31 March 2016	% of contrib.	Year ended 31 March 2015 (*)	% of contrib.	% variation March 2016 / March 2015 Actual	Org.
Europe	4,154	39%	2,811	28%	48%	42%
Americas	1,265	12%	980	10%	29%	25%
Asia/Pacific	4,135	39%	1,141	11%	262%	265%
Middle East/Africa	1,082	10%	5,114	51%	(79%)	(78%)
ORDERS BY DESTINATION	**10,636**	**100%**	**10,046**	**100%**	**6%**	**7%**

(*) In comparison with FY2014/15 financial statements, Kazakhstan and Azerbaijan were represented and moved from Europe region to Middle East/Africa.

Alstom
Product breakdown

Actual figures *(in € million)*	Year ended 31 March 2016	% of contrib.	Year ended 31 March 2015	% of contrib.	% variation March 2016 / March 2015 Actual	Org.
Trains	6,487	61%	4,968	49%	31%	38%
Services	1,769	17%	2,425	24%	(27%)	(25%)
Systems	975	9%	1,386	14%	(30%)	(33%)
Signalling	1,404	13%	1,264	13%	11%	(6%)
Other	1	0%	3	0%	(67%)	(65%)
ORDERS BY DESTINATION	**10,636**	**100%**	**10,046**	**100%**	**6%**	**7%**

During fiscal year 2015/16, orders received in Europe increased by 42% on an organic basis and reached €4,154 million. This growth was notably fed by a large contract signed in Belgium to supply 90 double-deck motorized cars and ETCS [1] level 2 signalling system. In Germany, Alstom was selected to supply 30 CORADIA™ Continental electrical trains to run in the Frankfurt area, 80 CORADIA Lint™ diesel trains for the Bavaria and the Saxony-Anhalt regions as well as an option for DT5 trains for the Hamburg metro. In Italy, Alstom was awarded several contracts for the supply of eight PENDOLINO™ high-speed trains and associated maintenance as well as an option for 25 regional trains. Moreover, Alstom will provide 25 additional CORADIA™ Polyvalent to the Rhône-Alpes and Midi-Pyrénées regions in France, as well as 47 PRIMA H4™ dual-mode locomotives in Switzerland. Finally, Alstom will deliver a signalling system in the United Kingdom.

In Americas, Alstom recorded €1,265 million of orders during fiscal year 2015/16, an increase of 25% *versus* last year on a comparable basis. The Group was notably awarded two metro system projects in Panama, in order to equip metro Line 2 with 21 METROPOLIS™ trainsets and to extend metro Line 1 with 70 additional metro cars and the update of the existing signalling solution. In Brazil, the Group registered a contract for 22 trains METROPOLIS™ including the associated maintenance. Finally, in Canada, Alstom was selected for the installation of a new signalling system in the Greater Toronto area.

During fiscal year 2015/16, Asia/Pacific accounted for 39% of the Group's total orders received with €4,135 million. This performance was mainly driven by a major contract in India to provide 800 double electric locomotives of the PRIMA™ range and associated maintenance in Madhepura. Also, Alstom was selected for the supply of 20 METROPOLIS™ trainsets and the URBALIS™ signalling solution for the metro network of Lucknow. Lastly, the Group will provide the electrification, signalling and telecommunications system of a part of the Indian eastern Dedicated Freight Corridor (DFC). In the Signalling business, a contract was signed to improve and replace the signalling systems of seven metro lines in Hong Kong.

In Middle East/Africa, orders received reached €1,082 million during fiscal year 2015/16, while last fiscal year performance was fed by the €4 billion contract awarded in South Africa to supply commuter trains and associated maintenance. During fiscal year 2015/16, large contracts were booked in Azerbaijan for the supply of 50 KZ8A freight locomotives and in Kazakhstan to maintain 200 KZ8A and 95 KZ4AT freight locomotives. Alstom will also provide 17 CORADIA™ Polyvalent inter-city trains in Algeria and 50 CITADIS™ tramways to reinforce the new tramway line in Casablanca, Morocco.

(1) European Train Control System.

Alstom received the following major orders during fiscal year 2015/16:

Country	Product	Description
Algeria	Trains	Supply of 17 CORADIA™ Polyvalent inter-city trains
Azerbaijan	Trains	Supply of 50 KZ8A freight locomotives
Belgium	Trains	Supply of 90 double-deck motorized cars and ETCS (*) level 2 signalling system
Brazil	Trains	Delivery of 22 METROPOLIS™ trains and associated maintenance
Canada	Signalling	New computer-based integrated train control centre for the Greater Toronto
France	Trains	Additional CORADIA™ Polyvalent trains to French regions
Germany	Trains	Supply of 28 diesel CORADIA Lint™ trains to the Bavaria region and 52 diesel CORADIA Lint™ trains to the Saxony-Anhalt
Germany	Trains	Supply of 30 CORADIA™ Continental electrical trains for the Südhessen-Untermain network in the Frankfurt area
Germany	Trains	Option for 27 additional DT5 metro trains for the Hamburg metro
Hong Kong	Signalling	Re-signalling and upgrading of the signalling systems of several metro lines
India	Trains / Services	Supply of 800 double electric locomotives and maintenance at Madhepura
India	System	Electrification, signalling and supply of the telecommunications system for a part of the eastern Dedicated Freight Corridor (DFC)
India	Trains / Signalling	Supply of 20 METROPOLIS™ trainsets and URBALIS™ signalling solution
Italy	Trains / Services	Supply of eight PENDOLINO™ high-speed trains and associated 20-year maintenance contract
Italy	Trains	Option to supply 25 additional "Jazz" regional trains of the CORADIA™ MERIDIAN range
Kazakhstan	Services	Locomotives maintenance
Morocco	Trains	Supply of 50 CITADIS™ tramways for the new section of the Casablanca tramway line
Panama	Systems	Supply of an integrated system including 21 METROPOLIS™ trainsets, HESOP™ reversible substation and URBALIS™ signalling solution to equip metro Line 2 of Panama metro
Panama	Systems	Option for 70 additional metro cars for Line 1 of Panama metro and update of the existing signalling solution and power supply
Switzerland	Trains	Supply of 47 PRIMA H4™ dual-mode locomotives
United Kingdom	Signalling	Deliver a signalling system

(*) European Train Control System.

INCOME **STATEMENT**

On 2 November 2015, General Electric definitively acquired the Thermal Power, Renewable Power and Grid activities as well as central and shared services (legal entities Alstom and Alstom Holdings have not been disposed) (the "Energy Business"). Further to the deal, Alstom ("the Group") is refocused on its activities in the Transport field.

For more details on the consequences of the deal on the consolidated financial statements please refer to Note 1 and Note 3 to the consolidated financial statements for the year ended 31 March 2016.

As disclosed in Note 2.3.5 to the consolidated financial statements, the Group decided to introduce a new Key Performance Indicator called adjusted EBIT ("aEBIT"), starting fiscal year 2015/16.

Total Group	**Year ended**		**% variation March 2016 / March 2015**
	31 March 2016	**31 March 2015**	**Actual**
Sales	6,881	6,163	12%
Cost of sales (*)	(5,843)	(5,195)	12%
R&D expenditure (*)	(136)	(136)	0%
Selling expenses	(191)	(199)	(4%)
Administrative expenses (*)	(345)	(315)	10%
Other income (expense)	0	(20)	(100%)
Adjusted Earnings Before Interest and Taxes	**366**	**298**	**23%**
aEBIT (in % of Sales)	*5.3%*	*4.8%*	
Restructuring costs	(138)	(106)	30%
Assets impairment	(398)	(54)	643%
PPA and integration costs	(43)	0	NA
Others	(13)	(759)	(98%)
Earnings Before Interest and Taxes	**(226)**	**(621)**	**(64%)**
Financial income (expense)	(275)	(137)	
Income tax charge	(597)	8	
Share of net income of equity-accounted investments	30	(64)	
Non-controlling interests attributable to continuing operations	(15)	(9)	
Net profit from continuing operations – Group share	**(1,083)**	**(823)**	
Net profit from discontinued operations	4,079	113	
Non-controlling interests attributable to discontinued operations	5	(9)	
NET INCOME – GROUP SHARE	**3,001**	**(719)**	

(*) Includes the reclassification of sustaining costs from Cost of Sales to Research and Development €(24) million as of 31 March 2015 and €(26) million as of 31 March 2016 respectively. It also includes primarily the reclassification of IT depreciation and severance costs from Cost of Sales to Administrative costs for €(18) million as of 31 March 2015.

SALES

During fiscal year 2015/16, Alstom sales increased by 7% on an organic basis and reached €6,881 million compared to €6,163 million last year. This solid performance was fed by continued growth in emerging countries including the on-going execution of PRASA contract in South Africa, deliveries in Venezuela, Singapore and Algeria and progress made on Riyadh metro system in Saudi Arabia. The Group's sales were also fuelled by deliveries of intercity and suburban trains in France, Italy and Germany.

Alstom
Geographic breakdown

Actual figures *(in € million)*	Year ended 31 March 2016	% of contrib.	Year ended 31 March 2015 (*)	% of contrib.	% variation March 2016 / March 2015 Actual	Org.
Europe	4,098	60%	4,255	69%	(4%)	(7%)
Americas	1,055	15%	739	12%	43%	28%
Asia/Pacific	673	10%	449	7%	50%	43%
Middle East/Africa	1,055	15%	720	12%	47%	43%
SALES BY DESTINATION	**6,881**	**100%**	**6,163**	**100%**	**12%**	**7%**

(*) In comparison with FY2014/15 financial statements, Kazakhstan and Azerbaijan were represented and moved from Europe region to Middle East/Africa.

Alstom
Product breakdown

Actual figures *(in € million)*	Year ended 31 March 2016	% of contrib.	Year ended 31 March 2015	% of contrib.	% variation March 2016 / March 2015 Actual	Org.
Trains	3,146	46%	3,308	54%	(5%)	(4%)
Services	1,544	22%	1,251	20%	23%	20%
Systems	1,015	15%	683	11%	49%	41%
Signalling	1,162	17%	897	15%	30%	(1%)
Other	14	0%	24	0%	(42%)	(36%)
SALES BY DESTINATION	**6,881**	**100%**	**6,163**	**100%**	**12%**	**7%**

Alstom recorded €4,098 million sales in Europe during fiscal year 2015/16, a decrease of 7% on an organic basis. The region represented 60% of total sales of the Group, notably thanks to several rolling stock deliveries such as intercity and suburban trains in France, Italy, Denmark and Germany. During the current period, major milestones were also traded on very high speed trains in France. As for Services, several maintenance contracts were executed notably for PENDOLINO™ high-speed trains and metro trains in the United Kingdom as well as for suburban trains in Sweden. Last fiscal year was boosted by several train deliveries in Poland and Switzerland.

In Americas, sales amounted to €1,055 million, representing a 28% organic increase compared to last fiscal year. This growth was driven by the delivery of metro trains to Argentina, tramway and metro systems in Brazil and Venezuela and by the sustained maintenance activities in the United States of America. Moreover, the region benefitted from the contribution of signalling activities acquired from General Electric. During fiscal year 2015/16, the region accounted for 15% of the total Group's sales.

In Asia/Pacific, Alstom reached €673 million of sales, up 43% *versus* last fiscal year on an organic basis, mainly thanks to the delivery of METROPOLIS™ trainsets in Singapore and the production of X'TRAPOLIS™ trains for Australia. Furthermore, sales were boosted by the progress made on the Chennai contract in India for the supply of 42 METROPOLIS™ trainsets and the design of Chennai railway trackworks.

During fiscal year 2015/16, in Middle East/Africa, Alstom recorded €1,055 million of sales, a 43% organic increase compared to last fiscal year, driven by the progress of PRASA contract in South Africa, of the metro system in Saudi Arabia and by the supply of very high-speed trains in Morocco. In Algeria, the Group's sales were sustained by the delivery of tramways for the cities of Constantine and Oran as well as the progress of other tramway contracts in Sétif, Ouargla and Mostaganem. Finally, major milestones were also traded on electric locomotives contract in Kazakhstan.

RESEARCH AND DEVELOPMENT EXPENSES

In fiscal year 2015/16, Alstom research and development expenses amounted to €136 million, at the same level as last year, with a focus on differentiation and competitiveness-oriented programs.

Capitalisation of development costs went up from €67 million last year to €73 million in fiscal year 2015/16 (as disclosed in Note 5 to the consolidated financial statements).

SELLING AND ADMINISTRATIVE EXPENSES

During fiscal year 2015/16, selling expenses decreased compared to last year both in volume (-4%) and as percentage of sales (from 3.2% to 2.8%), notably thanks to a tight control of costs.

Administrative expenses increased by €30 million as compared to last fiscal year, impacted by acquisitions and new organisation costs ramp-up, but improved as a percentage of sales (from 5.1% to 5.0%).

ADJUSTED EARNINGS BEFORE INTEREST AND TAXES (aEBIT)

During fiscal year 2015/16, the Adjusted EBIT reached €366 million, compared to €298 million in fiscal year 2014/15, with an adjusted EBIT margin of 5.3% for fiscal year 2015/16 *versus* 4.8% last fiscal year thanks to volume, portfolio mix and operational excellence which enabled to offset price dynamics and competitive environment.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

During fiscal year 2015/16, EBIT amounted to €(226) million, compared to €(621) million in 2014/15. The Group was impacted by a total of €(398) million non-recurring impairment losses on assets notably due to reduced commercial opportunities impacting workload visibility and leading to tangible and intangible impairment for €(200) million in France; new developments on the range of very high speed trains implying the recognition of non-recurring impairment loss related to specific product AGV™ for €(78) million and necessary adaptation to new situations in different countries (notably Brazil) also leading to assets impairment for €(120) million.

Moreover, restructuring and rationalization costs also impacted EBIT for €(138) million deriving primarily from announced plans mainly in Europe, facilities rationalization and competitiveness programs and move in the geographical strategy to adapt the Group's footprint to market evolution (notably in Russia).

During fiscal year 2014/15, the Group was impacted by the ca. €(720) million fine Alstom agreed to pay as part of an agreement concluded with the U.S. Department of Justice (DOJ).

NET FINANCIAL INCOME (EXPENSE)

Net financial expense went up at €(275) million during fiscal year 2015/16 compared to €(137) million for the previous year. This increase in financial expenses is mainly due to the cost of bonds repurchased during the period (€67 million difference between carrying value and market value), and to foreign exchange effects.

INCOME TAX CHARGE

The Group recorded an income tax charge of €(597) million for fiscal year 2015/16 *versus* a tax profit of €8 million last year.

The income tax charge included a €(67) million current income tax charge *versus* €(45) million last year and a €(530) million deferred income tax charge.

Income tax charge of the year is mainly impacted by de-recognition of deferred tax assets.

Changes in recognition of deferred tax assets take into account:

- new evolution in the market especially in France;
- final deal structuring as well as debt management following the deal.

Moreover, the new size of the Group in some jurisdictions tends to lower the visibility upon recoverability of deferred tax.

SHARE OF NET INCOME OF EQUITY-ACCOUNTED INVESTMENTS

The share of net income of equity investments amounted to €30 million mainly thanks to the good performance of Casco Chinese joint-venture and to the liquidity rights through a put option in the Energy alliances (as disclosed in Note 12 to the consolidated financial statements).

NET PROFIT – GROUP SHARE

During fiscal year 2015/16, Net profit from Continuing operations (Group share) amounted to €(1,083) million. The Group was impacted by a total of €(398) million non-recurring impairment losses on assets (detailed in Note 6 to the consolidated financial statements), €(138) million of restructuring and rationalization costs, ca. €(500) million of non-recurring deferred tax assets de-recognition as well as €(67)m of non-recurring financial bonds buy-back costs.

Benefitting from the capital gain net of tax on the "Energy Business", Net profit from Discontinued operations (Group share) amounted to €4,084 million.

Net profit (Group share) was at €3,001 million in fiscal year 2015/16, compared to €(719) million last year.

BALANCE SHEET

On 2 November 2015, General Electric definitively acquired the Thermal Power, Renewable Power and Grid activities as well as central and shared services (legal entities ALSTOM and ALSTOM Holdings have not been disposed) (the "Energy Business").

In compliance with IFRS 5, the lines "Assets held for sale" and "Liabilities held for sale" presented in Alstom's Consolidated Statement of Financial Position report the contribution of discontinued operations at the closing date: all Energy activities were concerned at the end of March 2015. At the end of March 2016, remain only the staggered and delayed transferred assets.

For more details on the consequences of the deal on the consolidated financial statements please refer to Note 1 and Note 3 to the consolidated financial statements for the year ended 31 March 2016.

Total Group **Actual figures** *(in € million)*	**Year ended** **31 March 2016**	**31 March 2015**	**Variation March 2016 / March 2015**
Goodwill	1,366	688	678
Intangible assets	387	444	(57)
Property, plant and equipment	655	656	(1)
Associates and non-consolidated investments	2,626	363	2,263
Other non-current assets	401	473	(72)
Deferred taxes	242	732	(490)
Non-current assets	**5,677**	**3,356**	**2,321**
Working capital assets	5,921	6,802	(881)
Marketable securities and other current financial assets	22	61	(39)
Cash and cash equivalents	1,961	1,599	362
Current assets	**7,904**	**8,462**	**(558)**
Asset held for sale	41	21,415	(21,374)
ASSETS	**13,622**	**33,233**	**(19,611)**

Total Group Actual figures *(in € million)*	Year ended 31 March 2016	Year ended 31 March 2015	Variation March 2016 / March 2015
Equity (Group share and minorities)	3,328	4,224	(896)
Provisions (non-current and current)	863	1,314	(451)
Accrued pension and other employee benefits	487	461	26
Financial debt (current and non-current)	2,504	5,186	(2,682)
Deferred taxes	52	11	41
Working capital liabilities (excl. provisions)	6,273	6,864	(591)
Liabilities related to assets held for sale	115	15,173	(15,058)
LIABILITIES	**13,622**	**33,233**	**(19,611)**

GOODWILL AND INTANGIBLE ASSETS

At the end of March 2016, goodwill amounted to €1,366 million against €688 million at the end of March 2015. This movement mainly arose from the preliminary calculation of the goodwill of GE Signalling for an amount of €638 million as well as the goodwill of SSL after the purchase of 50% additional stake for an amount of €63 million (see Note 3 to the consolidated financial statements).

Intangible assets include acquired intangible assets and capitalised development costs. They slightly decreased at €387 million on 31 March 2016 (compared to €444 million on 31 March 2015) notably due to recognition of impairments of development costs, partly offset by preliminary purchase price allocation further to the acquisitions of both GE Signalling business and the complementary 50% of Signalling Solutions Ltd (SSL).

TANGIBLE ASSETS

The Group's tangible assets remained stable at €655 million on 31 March 2016, compared to €656 million on 31 March 2015.

The Group chose to extend its positions in the growing markets and to reinforce its competitive advantage in developed countries through €154 million of capital expenditures (excluding capitalised development expenses) compared to €99 million last year.

In emerging markets, the Group notably invested in the extension of a rolling stock facility in Sri City in India. In Europe, Alstom acquired the Santa Perpètua de Mogoda factory in Spain through the exercise of its purchase option in order to reinforce its manufacturing activity as well as its testing abilities.

As mentioned in Note 11 to the consolidated financial statements, a non-recurring impairment loss of €(130) million has been recognized due to the adaptation of the Group footprint to the market evolution, notably in France.

ASSOCIATES AND NON-CONSOLIDATED INVESTMENTS

Associates and non-consolidated investments accounted for €2,626 million on 31 March 2016, compared to €363 million on 31 March 2015. This evolution is mainly due to the creation of the three new Energy alliances with General Electric as well as the additional stake of 8% in TMH and the additional 25% in EKZ (see Note 12 and 13 to the consolidated financial statements).

OTHER NON-CURRENT ASSETS

Other non-current assets amounted to €401 million at the end of March 2016, compared to €473 million at the end of March 2015. Financial non-current assets directly associated to a long-term lease of trains and associated equipment for a London metro operator decreased from €383 million at the end of March 2015 to €318 million at the end of March 2016 due to evolution of EUR/GBP exchange rate.

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 2016 was €(1,215) million compared to €(1,376) million on 31 March 2015. The increase is mainly linked to projects ramp up and cash milestones phasing.

DEFERRED TAX

Net deferred tax assets decreased to €190 million at the end of March 2016, from €721 million a year before.

Income tax charge of the year is mainly impacted by de-recognition of deferred tax assets.

Changes in recognition of deferred tax assets take into account:

- new evolution in the market especially in France;
- final deal structuring as well as debt management following the deal.

Moreover, the new size of the Group in some jurisdictions tends to lower the visibility upon recoverability of deferred tax.

CURRENT AND NON-CURRENT PROVISIONS

The current and non-current provisions decreased from €1,314 million on 31 March 2015 to €863 million on 31 March 2016. The evolution is mainly linked to the payment of the fine linked to DOJ (agreement concluded with the US Department of Justice resulting in a fine of ca. €(720) million booked as current provision in continued activities in March 2015) partly offset by new provisions booked to cover corporation tax risks and other non-operating risks.

EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS

Equity on 31 March 2016 decreased to €3,328 million (including non-controlling interests) from €4,224 million on 31 March 2015. It was mostly impacted by:

- net profit from the fiscal year 2015/16 of €3,001 million (Group share);
- the public share buy-back offer for €(3.2) billion;
- actuarial hypothesis variation on pensions (recorded in equity) of €(240) million (of which €(40) million for continuing operations);
- currency translation adjustment of €(262) million;
- currency translation adjustment of €(223) million recycled in the income statement following the sale of Energy activities.

FINANCIAL DEBT AND CASH & CASH EQUIVALENT

The gross financial debt was reduced to €2,504 million at the end of March 2016 compared to €5,186 million at the end of March 2015 notably thanks to the repayment at maturity of two bonds for a total amount of €1,000 million, the early redemption, through a tender offer, of existing bonds for a nominal amount of €875 million as well as the repayment, following the GE transaction, of commercial paper outstanding.

Over the same period, cash and cash equivalent have increased from €1,599 million to €1,961 million, invested in money market funds and bank deposits.

See Notes 20 and 26 to the consolidated financial statements for further details regarding cash and cash equivalent and 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 2016**	Year ended **31 March 2015**
Net cash provided by/(used in) operating activities before changes in net working capital	(358)	(421)
Changes in net working capital resulting from operating activities	(1,800)	726
Net cash provided by/(used in) operating activities	**(2,158)**	**305**
Of which operating flows provided by/(used in) discontinued operations	*(1,568)*	*163*
Net cash provided by/(used in) investing activities	8,427	(213)
Of which investing flows provided by/(used in) discontinued operations	*(932)*	*593*
Net cash provided by/(used in) financing activities	(5,826)	(336)
Of which financing flows provided by/(used in) discontinued operations	*1,949*	*(193)*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**443**	**(244)**
Cash and cash equivalents at the beginning of the period	**1,599**	**2,276**
Net effect of exchange rate variations	(87)	229
Other changes	(3)	8
Transfer to assets held for sale	9	(670)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,961**	**1,599**

NET CASH USED IN OPERATING ACTIVITIES

Net cash used in operating activities was €(2,158) million for fiscal year 2015/16, compared to €305 million for the previous year.

Net cash used in operating activities before changes in net working capital was €(358) million in 2015/16. It represents the cash generated by the Group's net profit 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 €(1,800) million in 2015/16 compared to €726 million last fiscal year.

NET CASH PROVIDED BY INVESTING ACTIVITIES

Net cash provided by investing activities amounted to €8,427 million for fiscal year 2015/16, *versus* €(213) million for the previous year. In 2015/16, capital expenditures (excluding capitalised development expenses) amounted to €(338) million and capitalised development costs to €(176) million. Disposals of businesses, net of cash sold, amounted to €10,854 million in 2015/16 which mainly includes the proceeds from the disposal of Alstom's "Energy business" (Thermal Power, Renewable Power and Grid activities as well as central and shared services) to General Electric as mentioned in Note 1 to the consolidated financial statements.

Acquisitions of businesses, net of cash acquired, amounted to €(1,994) million in 2015/16 *versus* €(50) million in 2014/15. This includes notably the acquisition of Alstom's shares in the three alliances created with General Electric (Grid, Renewables and Global Nuclear and French Steam alliances) as mentioned in Note 1 to the consolidated financial statements, the investment made for the acquisition of General Electric's signalling business, the complementary 50% of Signalling Solutions Ltd (SSL) as well as the investments made in SpeedInnov and Transmashholding (TMH) joint ventures.

NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities was at €(5,826) million for fiscal year 2015/16, compared to €(336) million the previous year. This evolution is mainly due to the public share buy-back offer *(offre publique de rachat d'actions)* and to bonds redemption and repurchase.

NET CASH/(DEBT) POSITION

On 31 March 2016, the Group recorded a net debt level of €(203) million, compared to the net debt position of €(3,143) million at 31 March 2015.

Total Group *(in € million)*	Year ended	
	31 March 2016	31 March 2015
Net cash/(debt) at the beginning of the period	**(3,143)**	**(3,038)**
Change in cash and cash equivalents	443	(244)
Change in marketable securities and other current financial assets and liabilities	(3)	(7)
Change in bonds and notes	1,875	780
Change in current and non-current borrowings	688	(471)
Change in obligations under finance leases	46	39
Transfer to assets held for sale	76	(387)
Net debt of acquired entities at acquisition date and other variations	(185)	185
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(203)**	**(3,143)**

Notes 25, 26, 27, 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.

In the context of the Energy disposal, orders received presented for fiscal year 2015/16 are figures from continuing activities.

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.

In the context of the Energy disposal, order backlog presented for fiscal year 2015/16 are figures from continuing activities.

ADJUSTED EBIT

As disclosed in Note 2.3.5 to the consolidated financial statements, the Group decided to introduce a new Key Performance Indicator called adjusted EBIT ("aEBIT").

Further to the new organization implemented, adjusted EBIT became the new Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with Market Practice and comparable to direct competitors.

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

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

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

To allow comparability, last year Key Performance Indicator has been restated consistently and the bridge of non-GAAP measure has been established for current and comparative periods.

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 2016	Year ended 31 March 2015
Net cash provided by/(used in) operating activities	**(2,158)**	**305**
Of which operating flows provided by/(used in) discontinued operations	*(1,568)*	*163*
Capital expenditure (including capitalized development costs)	(514)	(756)
Proceeds from disposals of tangible and intangible assets	58	22
FREE CASH FLOW	**(2,614)**	**(429)**

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).

Capital employed at Group level is presented in Note 4 to the consolidated financial statements as of 31 March 2016.

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 the Group as a whole and the profitability of the Group as a whole in regard to resources employed.

At the end of March 2016, capital employed reached €3,901 million, compared to €857 million at the end of March 2015. Movements over the period ended mainly arose from the increase in non-current assets notably through the preliminary calculation of the goodwill of GE Signalling and the creation of the three new Energy alliances with General Electric as associates.

Total Group *(in € million)*	Year ended 31 March 2016	Year ended 31 March 2015
Non-current assets	5,677	3,356
less deferred tax assets	(242)	(732)
less non-current assets directly associated to financial debt	(318)	(383)
less prepaid pension benefits	(1)	(8)
Capital employed – non-current assets (A)	**5,116**	**2,233**
Current assets	7,904	8,462
less cash and cash equivalents	(1,961)	(1,599)
less marketable securities and other current financial assets	(22)	(61)
Capital employed – current assets (B)	**5,921**	**6,802**
Current liabilities	7,167	9,893
less current financial debt	(686)	(1,998)
plus non-current provisions	655	283
Capital employed – liabilities (C)	**7,136**	**8,178**
CAPITAL EMPLOYED (A)+(B)-(C)	**3,901**	**857**

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 2016	Year ended 31 March 2015
Cash and cash equivalents	1,961	1,599
Marketable securities and other current financial assets	22	61
Financial non-current assets directly associated to financial debt	318	383
less:		
Current financial debt	686	1,998
Non-current financial debt	1,818	3,188
NET CASH/(DEBT)	**(203)**	**(3,143)**

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 2014/15 (order backlog, orders received and sales) are restated taking into account the exchange rates used for 2015/16, as used for preparing the Consolidated Financial Statements;
- in order to reflect the same scope of activity, actual figures for 2014/15 are restated from disposals made during fiscal year 2015/16 and 2015/16 actual figures are restated from acquisitions made in fiscal year 2015/16.

ALSTOM – ORGANIC FIGURES 2015/16

	Year ended 31 March 2015				Year ended 31 March 2016				
(in € million)	Actual figures	Exchange rate	Scope impact	Comparable Figures	Actual figures	Scope Impact	Organic figures	% var. act. March 2016/ March 2015	% var. org. March 2016/ March 2015
Orders backlog	28,394	(1,936)	(108)	26,350	30,363	(429)	29,934	7%	14%
Orders received	10,046	(267)	-	9,779	10,636	(213)	10,423	6%	7%
Sales	6,163	66	(6)	6,223	6,881	(252)	6,629	12%	7%

FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

CONSOLIDATED INCOME STATEMENT

		Year ended	
(in € million)	Note	31 March 2016	31 March 2015
Sales	**(4)**	**6,881**	**6,163**
Cost of sales		(5,843)	(5,195)
Research and development expenses (*)	(5)	(136)	(136)
Selling expenses		(191)	(199)
Administrative expenses (*)		(345)	(315)
Other income/(expense)		-	(20)
Adjusted Earnings Before Interests and Taxes		**366**	**298**
Other non-recurring income / (expense)	(6)	(592)	(919)
Earnings Before Interest and Taxes	**(4)**	**(226)**	**(621)**
Financial income	(7)	73	109
Financial expense	(7)	(348)	(246)
Pre-tax income		**(501)**	**(758)**
Income tax charge	(8)	(597)	8
Share of net income of equity-accounted investments	(12)	30	(64)
Of which JVs Energy		*37*	-
Net profit from continuing operations		**(1,068)**	**(814)**
Net profit from discontinued operations	(3)	4,079	113
NET PROFIT		**3,011**	**(701)**
Net profit attributable to equity holders of the parent		3,001	(719)
Net profit attributable to non controlling interests		10	18
Net profit from continuing operations attributable to:			
• Equity holders of the parent		(1,083)	(823)
• Non controlling interests		15	9
Net profit from discontinued operations attributable to:			
• Equity holders of the parent		4,084	104
• Non controlling interests		(5)	9
EARNINGS PER SHARE *(in €)*			
• Basic earnings per share	(9)	10.17	(2.32)
• Diluted earnings per share	(9)	10.09	(2.31)
EARNINGS PER SHARE *(in €)*			
• Basic earnings per share from continuing operations	(9)	(3.67)	(2.66)
• Diluted earnings per share from continuing operations	(9)	(3.64)	(2.65)
EARNINGS PER SHARE *(in €)*			
• Basic earnings per share from discontinued operations	(9)	13.84	0.34
• Diluted earnings per share from discontinued operations	(9)	13.73	0.33

(*) Includes the reclassification of sustaining costs from Cost of Sales to Research and Development for €(24) million as of 31 March 2015 and €(26) million as of 31 March 2016 respectively. It also includes primarily the reclassification of IT depreciation and severance costs from Cost of Sales to Administrative costs for €(18) million as of 31 March 2015.

CONSOLIDATED **STATEMENT OF COMPREHENSIVE INCOME**

(in € million)	Note	Year ended 31 March 2016	Year ended 31 March 2015
Net profit recognised in income statement		**3,011**	**(701)**
Remeasurement of post-employment benefits obligations	(25)	(240)	(598)
Income tax relating to items that will not be reclassified to profit or loss	(8)	32	99
Items that will not be reclassified to profit or loss		**(208)**	**(499)**
of which from equity-accounted investments		-	-
Fair value adjustments on available-for-sale assets		-	(1)
Fair value adjustments on cash flow hedge derivatives		14	(34)
Currency translation adjustments		(262)	304
Income tax relating to items that may be reclassified to profit or loss	(8)	(2)	6
Items that may be reclassified to profit or loss		**(250)**	**275**
of which from equity-accounted investments		*(37)*	*(80)*
Other comprehensive income		**(458)**	**(224)**
of which attributable to discontinued operations	*(3)*	*(307)*	*(172)*
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,553**	**(925)**
Attributable to:			
• Equity holders of the parent		2,554	(954)
• Non controlling interests		(1)	29
Total comprehensive income attributable to equity shareholders arises from:			
• Continuing operations		(1,227)	(881)
• Discontinued operations		3,781	(73)
Total comprehensive income attributable to minority equity arises from:			
• Continuing operations		8	15
• Discontinued operations		(9)	14

Actuarial gains and losses and asset ceiling arising from post-employment defined benefit plans recognized in the other comprehensive income on the caption "remeasurement of post-employment benefits obligations" are, at March 2016, the following:

- €(242) million actuarial gains and losses generated (of which a €(42) million loss for continuing operations);
- €2 million asset ceiling generated (of which €2 million for continuing operations).

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

CONSOLIDATED **BALANCE SHEET**

Assets

(in € million)	Note	At 31 March 2016	At 31 March 2015
Goodwill	(10)	1,366	688
Intangible assets	(10)	387	444
Property, plant and equipment	(11)	655	656
Investments in joint-ventures and associates	(12)	2,588	327
Non consolidated investments	(13)	38	36
Other non-current assets	(14)	401	473
Deferred taxes	(8)	242	732
Total non-current assets		**5,677**	**3,356**
Inventories	(15)	834	821
Construction contracts in progress, assets	(16)	2,356	2,554
Trade receivables	(17)	1,613	1,470
Other current operating assets	(18)	1,118	1,957
Marketable securities and other current financial assets	(19)	22	61
Cash and cash equivalents	(20)	1,961	1,599
Total current assets		**7,904**	**8,462**
Assets held for sale	(3)	41	21,415
TOTAL ASSETS		**13,622**	**33,233**

Equity and liabilities

(in € million)	Note	At 31 March 2016	At 31 March 2015
Equity attributable to the equity holders of the parent	(22)	3,279	4,134
Non controlling interests		49	90
Total equity		**3,328**	**4,224**
Non-current provisions	(24)	655	283
Accrued pension and other employee benefits	(25)	487	461
Non-current borrowings	(26)	1,538	2,847
Non-current obligations under finance leases	(26)	280	341
Deferred taxes	(8)	52	11
Total non-current liabilities		**3,012**	**3,943**
Current provisions	(24)	208	1,031
Current borrowings	(26)	639	1,947
Current obligations under finance leases	(26)	47	51
Construction contracts in progress, liabilities	(16)	3,659	3,455
Trade payables		1,133	917
Other current operating liabilities	(28)	1,481	2,492
Total current liabilities		**7,167**	**9,893**
Liabilities related to assets held for sale	(3)	115	15,173
TOTAL EQUITY AND LIABILITIES		**13,622**	**33,233**

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

CONSOLIDATED **STATEMENT OF CASH FLOWS**

		Year ended	
(in € million)	Note	31 March 2016	31 March 2015
Net profit		**3,011**	**(701)**
Depreciation, amortisation, expense arising from share-based payments and others		661	311
Post-employment and other long-term defined employee benefits		(3)	25
Net (gains)/losses on disposal of assets		(4,372)	(242)
Share of net income (loss) of equity-accounted investments (net of dividends received)		(5)	109
Deferred taxes charged to income statement	(8)	350	77
Net cash provided by/(used in) operating activities – before changes in working capital		**(358)**	**(421)**
Changes in working capital resulting from operating activities	**(21)**	**(1,800)**	**726**
Net cash provided by/(used in) operating activities		**(2,158)**	**305**
Of which operating flows provided by/(used in) discontinued operations	*(3)*	*(1,568)*	*163*
Proceeds from disposals of tangible and intangible assets		58	22
Capital expenditure (including capitalised R&D costs)		(514)	(756)
Increase/(decrease) in other non-current assets		23	(52)
Acquisitions of businesses, net of cash acquired		(1,994)	(50)
Disposals of businesses, net of cash sold		10,854	623
Net cash provided by/(used in) investing activities		**8,427**	**(213)**
Of which investing flows provided by/(used in) discontinued operations	*(3)*	*(932)*	*593*
Capital increase/(decrease) including non controlling interests		(3,208)	15
Dividends paid including payments to non controlling interests		(12)	(10)
Issuances of bonds and notes		-	-
Repayments of bonds and notes issued		(1,875)	(780)
Changes in current and non-current borrowings		(688)	471
Changes in obligations under finance leases		(46)	(39)
Changes in marketable securities and other current financial assets and liabilities		3	7
Net cash provided by/(used in) financing activities		**(5,826)**	**(336)**
Of which financing flows provided by/(used in) discontinued operations	*(3)*	*1,949*	*(193)*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**443**	**(244)**
Cash and cash equivalents at the beginning of the period		1,599	2,276
Net effect of exchange rate variations		(87)	229
Other changes		(3)	8
Transfer to assets held for sale		9	(670)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1,961**	**1,599**
Income tax paid		*(211)*	*(249)*
Net of interests paid and received		*(261)*	*(238)*

(in € million)	Year ended 31 March 2016	31 March 2015
Net cash/(debt) variation analysis (*)		
Changes in cash and cash equivalents	443	(244)
Changes in marketable securities and other current financial assets and liabilities	(3)	(7)
Changes in bonds and notes	1,875	780
Changes in current and non-current borrowings	688	(471)
Changes in obligations under finance leases	46	39
Transfer to assets held for sale	76	(387)
Net debt of acquired entities at acquisition date and other variations	(185)	185
Decrease/(increase) in net debt	2,940	(105)
Net cash/(debt) at the beginning of the period	**(3,143)**	**(3,038)**
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(203)**	**(3,143)**

(*) 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 26).

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

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Other comprehensive income	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
At 31 March 2014	**308,702,146**	**2,161**	**876**	**3,964**	**(1,957)**	**5,044**	**65**	**5,109**
Movements in other comprehensive income	-	-	-	-	(235)	(235)	11	(224)
Net income for the period	-	-	-	(719)	-	(719)	18	(701)
Total comprehensive income	**-**	**-**	**-**	**(719)**	**(235)**	**(954)**	**29**	**(925)**
Change in controlling interests and others	89	-	-	(9)	21	12	5	17
Dividends paid	-	-	-	-	-	-	(9)	(9)
Issue of ordinary shares under long term incentive plans	1,090,262	8	3	(5)	-	6	-	6
Recognition of equity settled share-based payments	-	-	-	26	-	26	-	26
At 31 March 2015	**309,792,497**	**2,169**	**879**	**3,257**	**(2,171)**	**4,134**	**90**	**4,224**
Movements in other comprehensive income	-	-	-	-	(447)	(447)	(10)	(457)
Net income for the period	-	-	-	3,001	-	3,001	10	3,011
Total comprehensive income	**-**	**-**	**-**	**3,001**	**(447)**	**2,554**	**-**	**2,554**
Change in controlling interests and others (*)	-	-	-	(2,072)	1,871	(201)	(29)	(230)
Dividends paid	-	-	-	-	-	-	(11)	(11)
Share buy back	(91,500,000)	(641)	-	(2,578)	-	(3,219)	-	(3,219)
Issue of ordinary shares under long term incentive plans	407,167	3	-	-	-	3	-	3
Recognition of equity settled share-based payments	427,380	3	5	-	-	8	-	8
AT 31 MARCH 2016	**219,127,044**	**1,534**	**884**	**1,608**	**(747)**	**3,279**	**49**	**3,328**

(*) Following the sale of Energy activities, "Change in controlling interests and others" in the amount of €1,871 comprise mainly:
- €2,045 million of Other Comprehensive Income on pensions and €26 million of cash flow hedge, reclassified in Retained Earnings,
- €(223) million of currency translation adjustment as well as €19 million of adjustment on available for sale financial assets have been recycled in the income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On November 2, 2015, Alstom and General Electric completed the transaction on Alstom's Energy businesses, as presented in Note 1. Further to the deal, Alstom ("the Group") is refocused on its activities in the Transport field.

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.

Alstom is one of the global leaders in rail transport equipment, systems, services, and signalling for urban, suburban, regional and mainline passenger transportation, as well as for freight transportation. 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 Alstom in a unique position through which it is able to benefit from the worldwide growth of the rail transport market.

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 10 May 2016. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 5 July 2016.

NOTE 1 · MAJOR EVENTS

1.1. Alstom strategic move

Effective 2 November 2015, Alstom and General Electric have completed the transaction presented hereafter.

1.1.1. Finalization of the transaction between Alstom and General Electric

On 26 April 2014, the Board of Directors of Alstom received from General Electric an offer, updated on 20 June 2014, to acquire its Energy activities. The global transaction includes the following:

- the acquisition by General Electric of Thermal Power, Renewable Power and Grid activities as well as central and shared services;
- the creation of three alliances with General Electric;
- the acquisition by Alstom of most of General Electric's Signalling business.

The disposal of Energy activities to General Electric simultaneously to the investment by Alstom in three Joint alliances (Grid, Renewables and Global Nuclear & French Steam) and the acquisition of General Electric's Signalling Business lead to a net cash received of €9.0 billion including the reimbursement of the net cash out of Power and Grid entities from 1 April 2014 to 2 November 2015.

Acquisition by General Electric of the Thermal Power, Renewable Power and Grid activities

By taking over Alstom's Energy activities, General Electric undertook to take on all assets as well as all liabilities and risks exclusively or predominantly associated with the Energy Business (see also 30.2.). Cross-indemnification and asset reallocation ("wrong pocket") mechanisms, over 30 years, have been established.

In few countries, authorizations from regulatory bodies or from Joint Ventures partners are still pending (mainly in Russia). Yet, the Group has already been compensated within the transaction price for those "staggered and delayed transferred assets" and this leads to a recognition of a liability of €65 million (classified in discontinued), while waiting for the precedent condition to be met. At the end of March 2016, the assets remaining accounted for as assets held for sale represent a turnover of approximately €15 million.

The capital gain on the sale on the Energy activities net of tax and other costs has been recognized under the line "Net profit from discontinued operations" and amounts to €4.2 billion. Further features on the capital gain are detailed in Note 3.

Investment in three alliances

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

- the Grid alliance consisting of a combination of Alstom Grid and General Electric Digital Energy businesses (Alstom holds a 50% – one stake in each Joint venture's share capital and voting rights);
- the Renewables alliance consisting of Alstom's hydro, offshore wind and tidal businesses (Alstom holds a 50% – one stake in each Joint venture's share capital and voting rights);
- the scope of the Global Nuclear & French Steam alliance includes the production and servicing of the "Arabelle" steam turbine equipment for nuclear power plants worldwide, as well as Alstom's steam turbine equipment and servicing for applications in France. Alstom holds 20% – one share of the share capital into the joint venture company and has 50% – two votes of voting rights. The French State holds a preferred share providing veto and other governance rights over issues relating, inter alia, to security and nuclear plant technology in France.

The investment by Alstom in these alliances amounts to €2.4 billion. The joint venture companies are accounted for under equity method in Alstom's consolidated financial statements.

Furthermore, Alstom has liquidity rights through put options on its shares to General Electric with a minimum guaranteed exit price, corresponding to acquisition price and interests.

Main features on the joint ventures as well as existing options conditions are detailed in Note 12.

Acquisition by Alstom of General Electric's signalling business

The agreements entered into with General Electric provide for the acquisition by Alstom of General Electric's signalling business (GE Signalling) in the rail sector.

The acquisition by Alstom of the GE Signalling business strengthens Alstom's position in both North America and the freight market.

The acquisition of GE Signalling has been agreed at a price of €0.7 billion (on a cash free/debt free basis), with an adjustment based on the actual level of working capital and net debt on the date of completion of the acquisition compared to a target level.

In accordance with IFRS 3R Business Combination, the Group has recognized the assets acquired and the liabilities assumed, these being measured at fair value at the acquisition date. Accordingly, a preliminary valuation has been determined. Recognized assets and liabilities may be subsequently adjusted during a maximum of twelve months from the acquisition date, depending on new information obtained about facts and circumstances existing at the acquisition date (see also Note 3.2).

1.1.2. Public share buy-back offer

Following the closing of this global transaction with General Electric, a public share buy-back offer of €3.2 billion was submitted to shareholders' approval in a Shareholders' Meeting on 18 December 2015. This Offer was running from 23 December 2015 to 20 January 2016. On 26 January 2016, the French Regulator AMF published the results of the Offer.

Based on these results, the Board of Director decided on the 28 January 2016 to set the total number of repurchased shares to 91,500,000 shares (at a price of €35 per share). The Board decided also to cancel the 91,500,000 shares so repurchased and set the amount of the capital reduction to €640,500,000 (nominal value €7 per share). The Board acknowledged also that the difference between the nominal value and the repurchase price of the cancelled securities was representing a premium of €28 per share and decided to deduct such premium together with the fees and taxes relating to the share buyback offer from "retained earnings" caption.

1.2. Other major events

1.2.1. Acquisition of additional stake (50%) in Signalling Solutions Ltd (SSL)

On 27 May 2015, Alstom has signed an agreement to buy Balfour Beatty's share of Signalling Solutions Ltd (SSL), a 50-50 joint-venture between Alstom and Balfour Beatty established in 2007 to provide advanced Signalling solutions to the UK and Ireland's rail sectors.

The transaction was performed for a total consideration of €30 million. The purchase price allocation exercise will be finalized within the twelve months following the acquisition date.

1.2.2. Acquisition of additional stake (8%) in Transmashholding (TMH)

On 29 December 2015, Alstom purchased an additional 8% shares in Transmashholding (TMH) from the Russian Railways (RZD) for €54 million. Following the deal, Alstom's stake in TMH reaches 33%. Alstom still accounts TMH under the equity method at the year-end (see also Note 12) since it retains a significant influence over the Company.

The deal will boost Alstom and TMH's intense collaboration, as the partners expand their objective beyond providing high-performing trains to delivery turnkey railway projects, infrastructure and signalling, as well as the export of products and components.

TMH manufactures mainline and urban trains, marine and stationary diesel engines, and casting. The company also provides rolling stock repairs. TMH is the largest railway engineering company in Commonwealth of Independent States (CIS) in terms of sales volume and one of the largest manufacturers in the world.

NOTE 2 · ACCOUNTING POLICIES

2.1. Basis of preparation of the consolidated financial statements

Alstom consolidated financial statements, for the year ended 31 March 2016, 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 2016;
- using the same accounting policies and measurement methods as at 31 March 2015, with the exceptions of:
  - changes required by the enforcement of new standards and interpretations, and
  - changes of presentation adopted by Alstom to better reflect the Group's financial performance:
    - former indicator "Income from Operations" suppressed,
    - sustaining costs reclassified from costs of sales to R&D,
    - IT depreciation and severance costs reclassified from cost of sales to administrative costs.

The information relating to consolidated financial statements for the fiscal year ended 31 March 2015, presented in the 2014/15 Registration Document D.15-0525 filed with the AMF on 21 May 2015 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 2015

2.1.1.1. Levies (IFRIC 21)

IFRIC 21, levies provides interpretative guidance on the accounting for an obligation to pay a levy (tax contribution) based on the recognition criteria in IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

This interpretation states that a liability to pay a levy must be recognized only when the obligating event in accordance with the relevant legislation has occurred.

The Group applied, for the first time, IFRIC 21 from 1 April 2015. The effects as of end of March 2015 and March 2016 on Balance Sheet and Profit & Loss are deemed not to be material.

2.1.1.2. Others

- Annual improvements to IFRSs 2010-2012 Cycle;
- Annual improvements to IFRSs 2011-2013 Cycle;

- Defined Benefit Plans: Employee contributions (amendments to IAS 19).

The other amendments effective as of 1 April 2015 do not have a material impact on the Group's consolidated financial statements.

2.1.2. New standards and interpretations not yet mandatorily applicable

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

- Accounting for acquisitions of interests in joint operations (amendments to IFRS 11);
- Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38);
- Annual Improvements to IFRS 2012-2014 Cycle;
- Disclosure Initiative (amendments to IAS 1);
- Equity Method in Separate Financial Statements (amendments to IAS 27).

All these amendments will be effective as of 1 April 2016 for Alstom and the potential impacts of these new pronouncements are currently being analysed.

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

- Financial instruments:
  - Classification and measurement of financial assets (IFRS 9),
  - Mandatory effective date 1 January 2018 and transition guidance (amendments to IFRS 9 and IFRS 7),
  - Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39;
- Leases (IFRS 16): the standard will be applicable for annual periods beginning after 1 January 2019;
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12): the amendment will be applicable for annual periods beginning after 1 January 2017;
- Disclosure Initiative (Amendments to IAS 7): the amendment will be applicable for annual periods beginning after 1 January 2017;
- IFRS 15 Revenue from contracts with customers: this standard will be applicable for annual periods beginning after 1 January 2018 and is currently being analysed in term of induced changes and potential financial impacts.

  Alstom's revenue recognition is mostly based on milestone method due to its long term contract activity and could be impacted by the application of this new standard. It has not yet been decided if Alstom will use full retrospective application or alternative retrospective application.

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

2.2. Use of estimates

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

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

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

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

Recognised revenue and margin are based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cost on a contract reflect management's current best estimate of the probable future benefits and obligations associated with the contract. Assumptions to calculate present and future obligations take into account current technology as well as the commercial and contractual positions, assessed on a contract-by-contract basis. The introduction of technologically-advanced products exposes the Group to risks of product failure significantly beyond the terms of standard contractual warranties applicable to suppliers of equipment only.

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

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

Estimate of provisions relating to litigations

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

Valuation of deferred tax assets

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

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

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

Valuation of assets

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

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

Inventories

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

2.3. Significant accounting policies

2.3.1. Consolidation methods

Subsidiaries

Subsidiaries are entities over which the Group exercises control.

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

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

Intercompany balances and transactions are eliminated.

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

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

Joint arrangements

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

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

A joint arrangement is classified either as a joint operation or as a joint venture. The classification is based on the rights and obligations of the parties to the arrangement, taking into consideration the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances (see also Note 3.2).

Joint operations

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

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

Joint ventures

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

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

Investments in associates

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

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

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

Equity method

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

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

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

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

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

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

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

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

Cash flow hedge

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

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

2.3.2. 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 3R.

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

For each business combination, any non controlling interest in the acquiree may be measured either at the acquisition-date fair value, leading to the recognition of the non controlling interest's share of goodwill (full goodwill method) or 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 acquire; 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.

2.3.4.1. Assets held for sale

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

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

2.3.4.2. 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.

In compliance with IFRS 5, the Group applies the following specific measurements which impact the consolidated financial statements (please refer to Note 3.1.):

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

2.3.5. Segment information

Further to the deal, an analysis of the Operating segments and the Group's Chief Operating Decisions Maker (CODM) has been driven due to a change in organization and reporting.

The Alstom Executive Committee has been identified as the new CODM assessing performance and allocating resources.

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

This new reporting issued to CODM presents Key performance Indicators at Group level. Strategic decisions and resource allocation are driven based on this new reporting. As a consequence, the segment information has been adapted accordingly at Group level.

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

The methods used to measure the key performance indicators for internal reporting purposes are the same as those used to prepare the consolidated financial statements (see also Note 4).

Further to the new organization implemented, Adjusted EBIT (hereafter aEBIT) became the new Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with Market Practice and comparable to direct competitors.

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

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

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

To allow comparability, last year Key Performance Indicator has been restated consistently and the bridge of non-GAAP measure has been established for current and comparative periods.

2.3.6. Sales and costs generated by operating activities

Measurement of sales and costs

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

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

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

Recognition of sales and costs

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

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

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

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

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

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

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 2.3.10). Research and Development costs cover also product sustainability costs booked when incurred.

Selling and administrative expenses are recorded as incurred.

2.3.7. Other non-recurring income and expenses

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

Other non-recurring 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 non-recurring expenses include capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets relating to activities facing restructuring plans as well as any costs associated to past disposals, restructuring costs, rationalisation costs, significant impairment losses on assets, costs incurred to realize business combinations and amortisation expense of assets exclusively acquired in the context of business combinations (technology, customer relationship, margin in backlog, margin on inventory), litigation costs that have arisen outside the ordinary course of business and a portion of post-employment and other long-term defined benefit expense (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 some initiatives still in place especially to face New Alstom organization, in several countries, adapting the structures to the new size of the Group (especially after Transition Service Agreement with General Electric termination in some countries/regions) and adapting the operational organization to the New Alstom. Those costs are incremental ones and are incurred on a short-term period.

2.3.8. 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);
- cost of hedging and foreign exchange gains and losses;
- other income or expense from cash and cash equivalents and marketable securities.

2.3.9. 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 in the income statement.

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

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

Fair value hedge

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

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

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

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

2.3.10. Intangible assets

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

Acquired intangible assets

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

Internally generated intangible assets

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

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

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

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

2.3.11. 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:

(in years)	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.

2.3.12. 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.

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

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

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

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

2.3.13. 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 2.3.9. for foreign currency hedging instruments and Note 2.3.19. 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 Earnings Before Interests and Taxes.

Derecognition of financial assets

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

2.3.14. 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.

2.3.15. Cash and cash equivalents

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

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

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

2.3.16. Taxation

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

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

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

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

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

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

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

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

2.3.17. 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.

2.3.18. 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 2.3.9 for foreign currency hedging instruments and Note 2.3.19 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.

2.3.19. Interest rate derivatives

Also the Group was not engaged in any interest rate derivative as of 31 March 2016, the Group may enter into hedges for the purpose of managing its exposure to movements in interest rates. Derivatives are recognised on the balance sheet at fair value at the closing date. Providing that the relationships between the interest rate exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. Fair value hedge accounting and cash flow hedge accounting are applied to fixed and floating rate borrowings, respectively.

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

2.3.20. Share-based payments

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

Equity-settled share-based payments

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

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

Cash-settled share-based payments

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

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

2.3.21. Post-employment and other long-term defined employee benefits

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

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

Post-employment defined benefit plans

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

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

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

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

Post-employment defined contribution plans

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

Other long-term employee benefits

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

2.3.22. 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.

2.3.23. Earnings per share

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

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

2.3.24. Presentation of consolidated financial statements

The consolidated financial statements are presented in millions of euros.

NOTE 3 • MAJOR CHANGES IN SCOPE OF CONSOLIDATION

3.1. Assets held for sale and discontinued operations

On 2 November 2015, General Electric definitively acquired the Thermal Power, Renewable Power and Grid activities as well as central and shared services (legal entities Alstom and Alstom Holdings have not been disposed) (the "Energy Business").

Authorizations required from a regulatory and merger control standpoint have been obtained in nearly all countries.

The remaining entities have been submitted to authorization in a limited number of countries mainly in Russia on strategic assets (specific filings).

The Group has already been compensated within the transaction price for those "staggered and delayed transferred assets". At the end of March 2016, the assets remain accounted for as assets held for sale, while waiting for the precedent condition to be met.

At the end of March 2016, the capital gain net of tax and other costs on the Energy businesses has been recognized under the line "Net profit from discontinued operations" and is detailed below.

3.1.1. Capital gain on the sale of Energy

In compliance with IFRS 10, the calculated capital gain is the gain on the portion retained through the three alliances in addition to the gain on the portion no longer owned. Moreover, in accordance with IFRS 5, the capital gain on the sale of the Energy activities was calculated as the difference between the global consideration received including deal costs and assumptions on future estimated liabilities and the value of Energy's net assets, as recorded in Alstom's Consolidated Financial Statements on the date of the sale as of the 2 November 2015.

On this basis, the capital gain on the sale of the Energy activities amounts to €4,207 million after taxes, recognized in the Consolidated Income Statement under the line "Net profit from discontinued operations". Tax costs of the deal amount to €128 million (of which €72 million accounted for in Fiscal Year 2014/15).

3.1.2. Financial statements of discontinued operations

In compliance with IFRS 5, the line "Net profit from discontinued operations" presented in Alstom's Consolidated Income Statement includes the operations of Energy activities (since June 2014 and until the date of the sale on 2 November 2015 except for staggered and delayed transferred assets that remain accounted for as discontinued operations until their effective transfer to General Electric), as well as the capital gain net of tax on the sale with respect to these activities and the incremental costs directly attributable to the disposal.

Aggregated income statement

	Year ended	
(in € million)	**31 March 2016**	**31 March 2015**
Sales	**7,405**	**13,330**
Pre-tax income	**(98)**	**454**
Income tax charge	(26)	(343)
Share of net income of equity-accounted investments	(4)	2
Gain on sale of Energy activities (net of tax)	4,207	
NET PROFIT FROM DISCONTINUED OPERATIONS	**4,079**	**113**
Attributable to:		
• Equity holders of the parent	4,084	104
• Non controlling interests	(5)	9

Accounting methods and principles applicable to discontinued operations are identical to those used as of 30 September 2015.

Other comprehensive income

As detailed in the consolidated statement of changes in equity, and further to the sale of the Energy activities, €2,045 million of other comprehensive income on pensions and €26 million of cash-flow hedge have been reclassified to Retained earnings. €(223) million of currency translation adjustment as well as €19 million of adjustments on available for sale financial assets have been recycled in the income statement as at 31 March 2016.

Aggregated balance sheet

In compliance with IFRS 5, the lines "Assets held for sale" and "Liabilities held for sale" presented in Alstom's Consolidated Statement of Financial Position report the contribution of discontinued operations at the closing date: all Energy activities are concerned at the end of March 2015.

At the end of March 2016, remain only the staggered and delayed transferred assets. They are primarily located in Russia, Brazil, China.

(in € million)	At 31 March 2016	At 31 March 2015
Total non-current assets	17	10,674
Total current assets	23	10,071
Cash and cash equivalents	1	670
TOTAL ASSETS HELD FOR SALE	**41**	**21,415**

(in € million)	At 31 March 2016	At 31 March 2015
Total non-current liabilities (excluding financial debt)	22	2,382
Total current liabilities (excluding financial debt)	16	12,504
Financial debt	77	287
TOTAL LIABILITIES RELATED TO ASSETS HELD FOR SALE	**115**	**15,173**

Aggregated statement of cash-flow

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

	Year ended	
(in € million)	31 March 2016	31 March 2015
Operating flows provided/(used) by discontinued operations	(1,568)	163
Investing flows provided/(used) by discontinued operations	(932)	593
Financing flows provided/(used) by discontinued operations	1,949	(193)

Flows provided/(used) by discontinued operations include internal dividends, investments acquisitions, as well as internal flow related to capital increase between discontinued and continued activities as part of the deal structuration.

Contingent liabilities

Upon completion of the General Electric transaction, the bonds issued to support the Energy business have been generally transferred to General Electric, which has taken over the relating parental counter guarantees.

However, as of 31 March 2016, this transfer remains in progress for bonds and sureties amounting to €0.4 billion.

In addition, the Group remains, in close relationship with General Electric, in the process of obtaining the release of some conditional and unconditional parent company guarantees formerly issued, mainly by Alstom Holdings S.A., to cover obligations of the former Energy affiliates in an amount of €29.3 billion.

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

3.2. Signalling Business acquisition

As described in Note 1.1.1, Alstom acquired General Electric signalling business.

This acquisition is part of the global General Electric transaction. In accordance with IFRS 3R, the fair value of the consideration transferred for the acquisition of the Signalling business has been estimated to €0.6 billion.

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

Accordingly, a preliminary valuation has been determined. Recognised assets and liabilities may be subsequently adjusted during a maximum of twelve months from the acquisition date, depending on new information obtained about the facts and circumstances existing at the acquisition date.

Preliminary aggregated fair value of assets acquired and liabilities assumed of the General Electric Signalling business at the date of acquisition

(in € million)	
Total non-current assets	181
Preliminary aggregated fair value of assets acquired and liabilities assumed of the General Electric Signalling business at the date of acquisition	(96)
Total assets	**85**
Total non-current liabilities	83
Total current liabilities	62
Total liabilities	**145**
FAIR VALUE OF ASSETS/(LIABILITIES) ATTRIBUTABLE TO THE SHAREHOLDERS OF THE GROUP	**(60)**
Consideration price	**578**
Provisional goodwill	**638**

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

The resulting and preliminary goodwill amounts to €638 million and is mainly supported by the leadership position of General Electric's signalling business in both North America and the freight market and by expected synergies between General Electric and Alstom signalling Businesses. Indeed, GE Signalling's activities are complementary to those of Alstom. The acquisition by Alstom of the GE signalling business will strengthen Alstom's position in both North America and the freight market.

For the period between the acquisition date (4 November 2015) and 31 March 2016, GE Signalling contributed €133 million to sales and €7 million to EBIT.

NOTE 4 • SEGMENT INFORMATION

As described in Note 2.3.5., the financial information of the new Alstom group is regularly reviewed by the Executive Committee, identified as Chief Operating Decision Maker, for assessing performance and allocating resources. This new reporting presents Key performance Indicators at Group level with different axes of analysis. Strategic decisions and resource allocation are driven based on this new reporting. As a consequence, the segment information has been adapted accordingly at Group level.

The Group decided to introduce a new non-GAAP measure: adjusted EBIT, starting fiscal year 2015/16 to follow its performance.

To allow comparability, last year Key Performance Indicator has been restated accordingly.

4.1. Key non-GAAP and GAAP indicators

The non-GAAP measure adjusted EBIT (aEBIT hereafter) indicator reconciles with the GAAP measure EBIT, for fiscal years 2015/16 and 2014/15 as follows:

(In € million)	At 31 March 2016	At 31 March 2015
Earnings Before Interest and taxes	**(226)**	**(621)**
Restructuring costs	(138)	(106)
Assets impairment	(398)	(54)
PPA and integration costs	(43)	-
Others	(13)	(759)
Adjusted EBIT	**366**	**298**
CAPITAL EMPLOYED	**3,901**	**857**

Capital employed corresponds to hereafter-defined assets minus liabilities.

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

Increase in capital employed between March 2015 and March 2016 is mainly explained by the investment in the three Energy alliances and in signalling acquisitions.

4.2. Key indicators by geographic area

Sales by country of destination

(in € million)	Year ended 31 March 2016	Year ended 31 March 2015 (*)
Europe	4,098	4,255
of which France	*1,303*	*1,284*
Americas	1,055	739
Asia & Pacific	673	449
Middle-East & Africa	1,055	720
TOTAL GROUP	**6,881**	**6,163**

(*) Compared with FY 2014/15 financial statements, Azerbaijan, Kazakhstan were represented and moved from Europe to Middle East/Africa.

Non-current assets by country of origin

(in € million)	At 31 March 2016	At 31 March 2015 (*)
Europe	1,137	1,331
of which France	*504*	*741*
Americas	168	54
Asia & Pacific	150	141
Middle-East & Africa	58	19
Total excluding alliances and goodwill	**1,513**	**1,545**
Alliances and goodwill	**3,603**	**688**
TOTAL GROUP	**5,116**	**2,233**

(*) Compared with FY 2014/15 financial statements, Azerbaijan, Kazakhstan were represented and moved from Europe to Middle East/Africa.

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.

4.3. Sales by product

(in € million)	Year ended 31 March 2016	Year ended 31 March 2015
Trains	3,146	3,308
Services	1,544	1,251
Systems	1,015	683
Signalling	1,162	897
Other	14	24
TOTAL GROUP	**6,881**	**6,163**

4.4. Information about major customers

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

NOTE 5 • RESEARCH AND DEVELOPMENT EXPENDITURE

(in € million)	Year ended 31 March 2016	31 March 2015
Research and development spending	**(156)**	**(140)**
Development costs capitalised during the period	73	67
Amortisation expense of capitalised development costs	(53)	(63)
RESEARCH AND DEVELOPMENT EXPENSES (IN P&L)	**(136)**	**(136)**

During fiscal year 2015/16, Alstom invested €156 million in research and development mainly allocated to the development and the provision of sustainable solutions at reasonable costs as the recent CITADIS™ tramway X05 which aims to address the growing Light Rail Vehicle (LRV) market through its higher modularity, new functionalities, better passenger experience and enhanced performances. The research and development costs also included Alstom's predictive maintenance programme and the further development of its signalling solutions.

The research and development programmes relate to the broadening and strengthening of the Company's product offering for Transport applications.

NOTE 6 • OTHER INCOME AND OTHER EXPENSE

(in € million)	Year ended 31 March 2016	31 March 2015
Capital gains/ (losses) on disposal of businesses	38	(12)
Restructuring and rationalisation costs	(138)	(106)
Impairment losses and other	(492)	(801)
OTHER INCOME / (EXPENSE)	**(592)**	**(919)**

At 31 March 2016, capital gains on disposal of assets concerns primarily the impact of the remeasurement of the interests previously held in SSL in compliance with IFRS 3R (see Note 1.2) for an amount of €37 million.

As at 31 March 2016, restructuring and rationalization costs, for an amount of €(138) million, derive primarily from:

- announced and detailed plans, mainly in Europe;
- facilities rationalization and competitiveness programs;
- move in the geographical strategy to adapt the Group's footprint to market evolution (notably in Russia).

As at 31 March 2016, impairment losses and other represent mainly:

- €(398) million of non-recurring impairment losses on assets:
  - €(200) million in France mostly due to reduced commercial opportunities impacting workload visibility and leading to tangible and intangible impairments,
  - €(78) million of non-recurring impairment loss related to specific product AGV™, due to new developments on the range of very high speed trains,
  - €(120) million of adaptation to new situations in different countries (notably Brazil) also leading to assets impairment;
- €(43) million including Purchase Price Allocation amortization linked to SSL and GE Signalling business combination as well as integration & acquisition costs linked to GE Signalling;
- €(51) million of net costs and re-measurement associated with legal proceedings that have arisen outside of the ordinary course of business.

NOTE 7 • FINANCIAL INCOME (EXPENSE)

	Year ended	
(in € million)	**31 March 2016**	**31 March 2015**
Interest income	11	12
Interest expense on borrowings	(225)	(193)
NET FINANCIAL INCOME/(EXPENSES) ON DEBT	**(214)**	**(181)**
Interest expense recharged to the discontinued operations	53	76
Net cost of foreign exchange hedging	(63)	13
Net financial expense from employee defined benefit plans (see Note 25)	(10)	(14)
Other financial income/(expense)	(41)	(31)
NET FINANCIAL INCOME/(EXPENSES)	**(275)**	**(137)**

Net financial income/(expenses) on debt represent the cost of borrowings net of income from cash and cash equivalents.

As at 31 March 2016, interest income, representing the remuneration of the Group's cash positions over the period, totals €11 million, while interest expenses total €(225) million. Interest expenses represent the cost of the external gross financial debt of the Group including the difference between the repurchase price and the amortized cost of the bonds repurchased following a public tender offer in an amount of €(67) million (see Note 26).

Interest expense recharged to the discontinued operations until 2 November 2015 amounts to €53 million in application of the cash pool agreements.

The net financial expense from employee defined benefit plans of €(10) million represents the interest costs on obligations net of interest income from fund assets calculated using the same discount rate.

The net cost of foreign exchange hedging of €(63) million includes:

- for €(29) million: primarily the cost of carry of foreign exchange swaps implemented to hedge the intercompany loans, deposits and cash pooling positions and the loss on non hedgeable currencies (Kazakhstan tenge);
- for €(17) million: the realized and unrealized (*i.e.* their change in market value) forward points relating to hedging Group's strategies;
- foreign exchange options premiums paid to protect new contracts at pre-award stage.

Other net financial income/expense of €(41) million include mainly bank fees and commitment fees paid on bonds and guarantees facilities, syndicated loans and revolving facilities for €(30) million. The full amortisation of upfront fees and waiver fees incurred on former banking facilities that have been cancelled upon GE transaction closing amount of €(23) million.

NOTE 8 • TAXATION

8.1. Analysis of income tax charge

The following table summarises the components of income tax charge:

	Year ended	
(in € million)	**31 March 2016**	**31 March 2015**
Current income tax charge	(67)	(45)
Deferred income tax charge	(530)	53
INCOME TAX CHARGE	**(597)**	**8**

Income tax charge of the year is mainly impacted by derecognition of 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. It reflects also tax losses carried forward.

Changes in recognition of deferred tax assets take into account:

- new evolution in the market especially in France;
- final deal structuring as well as debt management following the deal.

Moreover, the new size of the Group in some jurisdictions tends to lower the visibility upon recoverability of deferred tax.

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

	Year ended	
(in € million)	**31 March 2016**	**31 March 2015**
Pre-tax income	**(501)**	**(758)**
Statutory income tax rate of the parent company	34.43%	34.43%
Expected tax charge	**172**	**261**
Impact of:		
• Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	19	2
• Changes in unrecognised deferred tax assets	(702)	7
• Changes in tax rates	(9)	(7)
• Additional tax expenses (withholding tax, CVAE in France and IRAP in Italy)	(21)	(19)
• Permanent differences and other (*)	(56)	(236)
INCOME TAX CHARGE	**(597)**	**8**

(*) Including impact of the agreement with the DOJ for an amount of €(248) million as at 31 March 2015 and mainly Corporate tax risk as at 31 March 2016.

8.2. Deferred tax assets and liabilities

	Year ended	
(in € million)	**At 31 March 2016**	**At 31 March 2015**
Deferred tax assets	242	732
Deferred tax liabilities	(52)	(11)
DEFERRED TAX ASSETS, NET	**190**	**721**

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

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

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

(in € million)	At 31 March 2014	Change in P&L [(2)]	Change in equity [(1)]	Translation adjustments and other changes	Assets and liabilities held for sale	At 31 March 2015
Differences between carrying amount and tax basis of tangible and intangible assets	4	(157)	-	(3)	226	70
Accruals for employee benefit costs not yet deductible	240	(8)	99	37	(301)	67
Provisions and other accruals not yet deductible	443	47	-	57	(399)	148
Differences in recognition of margin on construction contracts	(84)	24	-	(55)	99	(16)
Tax loss carry forwards	900	62	-	90	(563)	489
Other	(32)	(45)	6	9	25	(37)
NET DEFERRED TAX ASSETS/ (LIABILITIES)	**1,471**	**(77)**	**105**	**135**	**(913)**	**721**

(1) Mainly related to actuarial gains and losses directly recognised in equity (see consolidated statement of comprehensive income).
(2) Of which €53 million for continuing activities and €(130) million for discontinued activities.

The assessment of the ability to recover net deferred tax assets at 31 March 2016 (€190 million) is based on an extrapolation of the latest three-year business plan and strategy for the long-term recovery of tax losses in each country.

Unrecognised deferred tax assets amounts to €1,125 million at 31 March 2016 (€400 million at 31 March 2015). Most of these unrecognised deferred taxes are originated from tax losses carried forward (€791 million at 31 March 2016 and €363 million at 31 March 2015), out of which €606 million are not subject to expiry at 31 March 2016 (€182 million at 31 March 2015).

NOTE 9 • EARNINGS PER SHARE

9.1. Earnings

(in € million)	Year ended 31 March 2016	Year ended 31 March 2015
Net Profit attributable to equity holders of the parent:		
• From continuing operations	(1,083)	(823)
• From discontinued operations	4,084	104
EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT USED TO CALCULATE BASIC AND DILUTED EARNINGS PER SHARE	**3,001**	**(719)**

9.2. Number of shares

	Year ended 31 March 2016	Year ended 31 March 2015
Weighted average number of ordinary shares used to calculate basic earnings per share (see Note 22)	**295,034,182 [(*)]**	**309,364,543**
Effect of dilutive instruments other than bonds reimbursable with shares:		
• Stock options and performance shares (LTI plan)	2,476,084	1,749,335
• Performance shares (Alstom Sharing plans)	-	-
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE DILUTED EARNINGS PER SHARE (SEE NOTE 22)	**297,510,266**	**311,113,878**

(*) The weighted average number of ordinary shares was impacted by share buyback for 15,250,000 shares.

The number of shares used for the Earning Per Share computation is influenced by the share buyback settled on 28 January 2016 as 91,500,000 shares have been repurchased and cancelled on the same date, inducing a mechanical dilution on two months only.

9.3. Earnings per share

(in €)	Year ended 31 March 2016	31 March 2015
Basic earnings per share	10.17	(2.32)
Diluted earnings per share	10.09	(2.31)
Basic earnings per share from continuing operations	(3.67)	(2.66)
Diluted earnings per share from continuing operations	(3.64)	(2.65)
Basic earnings per share from discontinued operations	13.84	0.34
Diluted earnings per share from discontinued operations	13.73	0.33

NOTE 10 • 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.

10.1. Goodwill

(in € million)	At 31 March 2015	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2016
GOODWILL	**688**	**701**	**-**	**(23)**	**1,366**
Of which:					
Gross value	688	701	-	(23)	1,366
Impairment	-	-	-	-	-

Movements over the period ended 31 March 2016 mainly arose from:

- the preliminary calculation of the Goodwill of GE Signalling (see Note 3) for an amount of €638 million;
- the Goodwill of SSL after purchase of 50% additional stake for an amount of €63 million.

(in € million)	At 31 March 2014	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	Assets held for sale	At 31 March 2015
Transport	674	4	-	10	-	688
Thermal Power	2,904	-	-	69	(2,973)	-
Renewable Power	532	-	-	10	(542)	-
Grid	1,159	1	-	15	(1,175)	-
GOODWILL	**5,269**	**5**	**-**	**104**	**(4,690)**	**688**
Of which:						
Gross value	5,269	5	-	104	(4,690)	688
Impairment	-	-	-	-	-	-

Goodwill impairment test

As of 31 March 2016, Alstom tested the value of goodwill applying valuation methods consistent with previous years. Alstom ensured that the recoverable amount exceeded its carrying value (including goodwill).

Presentation of key assumptions used for the determination of recoverable amounts

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

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

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

Net carrying amount of goodwill at 31 March 2016 *(in € million)*	1,366
Value elected as representative of the recoverable value	value in use
Number of years over which cash flow estimates are available	3 years
Extrapolation period of cash flow estimates	2 years
Long-term growth rate at 31 March 2016	**1.5%**
Long-term growth rate at 31 March 2015	1.5%
After tax discount rate at 31 March 2016 (*)	**8.5%**
After tax discount rate at 31 March 2015 (*)	8.5%

(*) 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:

(in € million)		
aEBIT Margin	*-25 bp*	*+25 bp*
	(150)	150
After tax discount rate	*-25 bp*	*+25 bp*
	208	(193)
Long-term growth rate	*-10 bp*	*+10 bp*
	(64)	66

As of 31 March 2016, the recoverable amount exceeded its carrying value and the sensitivity of the values in use to key assumptions support the Group's opinion that goodwill is not impaired.

10.2. Intangible assets

(in € million)	At 31 March 2015	Additions / disposals / amortisation	Reclassifications and other changes	Acquisition through business combination	At 31 March 2016
Development costs	1,039	68	(6)	14	1,115
Acquired technology	-	-	-	-	-
Other intangible assets	168	(8)	(1)	166	325
Gross value	**1,207**	**60**	**(7)**	**180**	**1,440**
Development costs	(662)	(239)	6	(10)	(905)
Acquired technology	-	-	-	-	-
Other intangible assets	(101)	(41)	2	(8)	(148)
Amortisation and impairment	**(763)**	**(280)**	**8**	**(18)**	**(1,053)**
Development costs	377	(171)	-	4	210
Acquired technology	-	-	-	-	-
Other intangible assets	67	(49)	1	158	177
NET VALUE	**444**	**(220)**	**1**	**162**	**387**

Movements over the period ended 31 March 2016 mainly arose from:

- the preliminary purchase price allocation further to the acquisition of GE Signalling for an amount of €137 million;
- the preliminary purchase price allocation further to the acquisition of the complementary 50% of SSL for an amount of €25 million;
- the recognition of impairments of development costs for an amount of €214 million, including €78 million related to AGV technology.

(in € million)	At 31 March 2014	Additions / disposals / amortisation	Translation adjustments and other changes	Assets held for sale	At 31 March 2015
Development costs	2,211	298	10	(1,480)	1,039
Acquired technology	1,388	-	2	(1,390)	-
Other intangible assets	859	(1)	33	(723)	168
Gross value	**4,458**	**297**	**45**	**(3,593)**	**1,207**
Of which gross value attributable to discontinued operations	*3,330*	*232*	*31*	*(3,593)*	-
Development costs	(842)	(73)	(8)	261	(662)
Acquired technology	(928)	(21)	-	949	-
Other intangible assets	(635)	(6)	(19)	559	(101)
Amortisation and impairment	**(2,405)**	**(100)**	**(27)**	**1,769**	**(763)**
Of which amortisation and impairment attributable to discontinued operations	*(1,730)*	*(26)*	*(13)*	*1,769*	-
Development costs	1,369	225	2	(1,219)	377
Acquired technology	460	(21)	2	(441)	-
Other intangible assets	224	(7)	14	(164)	67
NET VALUE	**2,053**	**197**	**18**	**(1,824)**	**444**
Of which net value attributable to discontinued operations	*1,600*	*206*	*18*	*(1,824)*	-

NOTE 11 • PROPERTY, PLANT AND EQUIPMENT

(in € million)	At 31 March 2015	Acquisitions/ amortisation / impairments	Disposals	Reclassifications and other changes	Acquisition through business combination	At 31 March 2016
Land	53	31	(2)	5	-	87
Buildings	629	58	(19)	3	17	688
Machinery and equipment	719	30	(30)	(11)	19	727
Constructions in progress	53	14	-	(10)	1	58
Tools, furniture, fixtures and other	234	22	(16)	11	6	257
Gross value	**1,687**	**155**	**(67)**	**(1)**	**43**	**1,817**
Land	(8)	(2)	(1)	2	-	(9)
Buildings	(318)	(96)	15	3	(9)	(405)
Machinery and equipment	(526)	(58)	26	18	(13)	(553)
Constructions in progress	(9)	(6)	-	-	-	(15)
Tools, furniture, fixtures and other	(171)	(28)	15	5	(1)	(180)
Amortisation and impairment	**(1,031)**	**(190)**	**55**	**27**	**(23)**	**(1,162)**
Land	45	29	(3)	7	-	78
Buildings	311	(38)	(4)	6	8	283
Machinery and equipment	193	(28)	(4)	7	6	174
Constructions in progress	44	8	-	(10)	1	43
Tools, furniture, fixtures and other	63	(6)	(1)	16	5	77
NET VALUE	**656**	**(35)**	**(12)**	**26**	**20**	**655**

An impairment loss of €(130) million has been recognized due to the adaptation of the Group footprint to the market evolution, notably in France.

(in € million)	At 31 March 2014	Acquisitions/ amortisation / impairments	Disposals	Translation adjustments and other changes	Assets held for sale	At 31 March 2015
Land	181	-	(10)	(2)	(116)	53
Buildings	1,958	75	(28)	173	(1,549)	629
Machinery and equipment	2,966	151	(79)	146	(2,465)	719
Constructions in progress	326	173	(3)	(83)	(360)	53
Tools, furniture, fixtures and other	483	41	(38)	73	(326)	233
Gross value	**5,914**	**440**	**(158)**	**307**	**(4,816)**	**1,687**
Of which gross value attributable to discontinued operations	*4,339*	*347*	*(141)*	*271*	*(4,816)*	*-*
Land	(11)	(2)	2	1	2	(8)
Buildings	(741)	(51)	19	(31)	486	(318)
Machinery and equipment	(1,844)	(74)	74	(24)	1,342	(526)
Constructions in progress	-	-	-	(9)	-	(9)
Tools, furniture, fixtures and other	(350)	(18)	33	(35)	200	(170)
Amortisation and impairment	**(2,946)**	**(145)**	**128**	**(98)**	**2,030**	**(1,031)**
Of which amortisation and impairment attributable to discontinued operations	*(2,011)*	*(57)*	*113*	*(75)*	*2,030*	*-*
Land	170	(2)	(8)	(1)	(114)	45
Buildings	1,217	24	(9)	142	(1,063)	311
Machinery and equipment	1,122	77	(5)	122	(1,123)	193
Constructions in progress	326	173	(3)	(92)	(360)	44
Tools, furniture, fixtures and other	133	23	(5)	38	(126)	63
NET VALUE	**2,968**	**295**	**(30)**	**209**	**(2,786)**	**656**
Of which net value attributable to discontinued operations	*2,328*	*290*	*(28)*	*196*	*(2,786)*	

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

(in € million)	At 31 March 2016	At 31 March 2015
Land	5	13
Buildings	21	24
Machinery and equipment	-	-
Tools, furniture, fixtures and other	2	1
NET VALUE OF TANGIBLE ASSETS HELD UNDER FINANCE LEASES	**28**	**38**

Commitments to purchase fixed assets amount to €15 million at 31 March 2016.

NOTE 12 • INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Financial information

	Share in equity		Share of net income	
(in € million)	At 31 March 2016	At 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2015
Associates	2,551	313	51	(46)
Joint ventures	37	14	(25)	(16)
TOTAL	**2,588**	**327**	**26**	**(62)**
of which continued			*30*	*(64)*
of which discontinued			*(4)*	*2*

Movements during the period

(in € million)	At 31 March 2016	At 31 March 2015
Opening balance	**327**	**545**
Share in net income of equity-accounted investments	32	20
Impairment	(6)	(82) (*)
Share in net income of equity-accounted investments	26	(62)
Dividends	(21)	(47)
Acquisitions	2,314	19
Changes in consolidation method	12	-
Translation adjustments and other	(73)	(42)
Transfer to assets held for sale	3	(86)
CLOSING BALANCE	**2,588**	**327**

(*) At 31 March 2015, impairment relates primarily to "The Breakers Investments BV" / TMH.

At 31 March 2016, acquisition caption includes primarily the stake in the three Energy alliances (detailed in 12.1), the additional stake of 8% in The Breakers Investments BV / TMH.

12.1. Investment in associates

		Share in equity		Share of net income	
(in € million)	% ownership	At 31 March 2016	At 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2015
Grid Alliance	50%	1,478		(15)	
Renewable Alliance	50%	547		(38)	
Nuclear Alliance	20%	117		(1)	
Put Alliances		94		91	
The Breakers Investments B.V.	33%	214	208	(10)	(38)
Other		101	105	24	(8)
ASSOCIATES		**2,551**	**313**	**51**	**(46)**

12.1.1. Main associates

The three Energy Alliances

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

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

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

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

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

- the Group would exercise these puts during the period from 1 to 30 September 2018;
- the exit value will be the acquisition price +3% *per annum* on Grid and Renewable Alliance, acquisition price +2% *per annum* on Nuclear Alliance.

Grid Alliance

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

Balance sheet

(in € million)	At 31 December 2015
Non-current assets	4,481 (*)
Current assets	4,152
TOTAL ASSETS	**8,633**
Equity-attributable to the owners of the parent company	2,955
Equity-attributable to non-controlling interests	446
Non-current liabilities	1,152
Current liabilities	4,080
TOTAL EQUITY AND LIABILITIES	**8,633**

(*) Of which preliminary goodwill: €116 million.

Income statement

(in € million)	Year ended 31 December 2015
Sales	577
Net income from continuing operations	(29)
Share of non-controlling interests	-
Net income attributable to the owners of the parent company	**(29)**
Other comprehensive income	-
TOTAL COMPREHENSIVE INCOME	**(29)**

Reconciliation on carrying value

The reconciliation of the summarized financial information in IFRS with the carrying value of the Group's interests can be broken down in the following way:

(in € million)	At 31 March 2016
Net asset of Grid Alliance at 31 December 2015	2,955
Net asset of Grid Alliance at 31 December 2015	**2,955**
Equity interest held by the Group	50%
CARRYING VALUE OF THE GROUP'S INTERESTS IN GRID ALLIANCE	**1,478**

(in € million)	Year ended 31 March 2016
Net income of Grid Alliance for the year ended 31 December 2015	(29)
Net income of Grid Alliance for the year ended 31 December 2015	**(29)**
Equity interest held by the Group	50%
GROUP'S SHARE IN THE NET INCOME OF GRID ALLIANCE	**(15)**

Renewable Alliance

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

Balance sheet

(in € million)	At 31 December 2015
Non-current assets	2,996 (*)
Current assets	1,967
TOTAL ASSETS	**4,963**
Equity-attributable to the owners of the parent company	1,093
Equity-attributable to non-controlling interests	32
Non-current liabilities	459
Current liabilities	3,379
TOTAL EQUITY AND LIABILITIES	**4,963**

(*) Of which preliminary goodwill: €43 million.

Income statement

The reconciliation of the summarized financial information in IFRS with the carrying value of the Group's interests can be broken down in the following way:

(in € million)	Year ended 31 December 2015
Sales	49
Net income from continuing operations	(76)
Share of non-controlling interests	
Net income attributable to the owners of the parent company	**(76)**
Other comprehensive income	-
TOTAL COMPREHENSIVE INCOME	**(76)**

Reconciliation on carrying value

(in € million)	At 31 March 2016
Net asset of Renewable Alliance at 31 December 2015	1,093
Net asset of Renewable Alliance at 31 December 2015	**1,093**
Equity interest held by the Group	50%
CARRYING VALUE OF THE GROUP'S INTERESTS IN RENEWABLE ALLIANCE	**547**

(in € million)	Year ended 31 March 2016
Net income of Renewable Alliance for the year ended 31 December 2015	(76)
Net income of Renewable Alliance for the year ended 31 December 2015	**(76)**
Equity interest held by the Group	50%
GROUP'S SHARE IN THE NET INCOME OF RENEWABLE ALLIANCE	**(38)**

Nuclear Alliance

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

Balance sheet

(in € million)	At 31 December 2015
Non-current assets	1,429 (*)
Current assets	1,652
Assets held for sale	1
TOTAL ASSETS	**3,082**
Equity-attributable to the owners of the parent company	587
Equity-attributable to non-controlling interests	-
Non-current liabilities	1,074
Current liabilities	1,420
Liabilities related to assets held for sale	1
TOTAL EQUITY AND LIABILITIES	**3,082**

(*) Of which preliminary goodwill: €24 million.

Income statement

(in € million)	Year ended 31 December 2015
Sales	140
Net income from continuing operations	(3)
Share of non-controlling interests	-
Net income attributable to the owners of the parent company	**(3)**
Other comprehensive income	-
TOTAL COMPREHENSIVE INCOME	**(3)**

Reconciliation on carrying value

The reconciliation of the summarized financial information in IFRS with the carrying value of the Group's interests can be broken down in the following way:

(in € million)	At 31 March 2016
Net asset of Nuclear Alliance at 31 December 2015	587
Net asset of the Nuclear Alliance at 31 December 2015	**587**
Equity interest held by the Group	20%
CARRYING VALUE OF THE GROUP'S INTERESTS IN NUCLEAR ALLIANCE	**117**

(in € million)	Year ended 31 March 2016
Net income of Nuclear Alliance for the year ended 31 December 2015	(3)
Net income of Nuclear Alliance for the year ended 31 December 2015	**(3)**
Equity interest held by the Group	20%
GROUP'S SHARE IN THE NET INCOME OF NUCLEAR ALLIANCE	**(1)**

The Breakers Investments B.V.

On 27 May 2011, the Group acquired 25% stake (plus one share) in the company The Breakers Investments B.V. This company holds 100% of Transmashholding ("TMH"), the leading Russian railway equipment manufacturer that operates in Russia and in the other countries of the Commonwealth of Independent States (CIS).

On 29 December 2015, Alstom purchased an additional 8% shares in Transmashholding (TMH) from the Russian Railways (RZD) for €54 million. Following the deal, Alstom's stake in TMH reaches 33%. Alstom will retain two seats in the TMH Board of Directors.

Accounting wise, the increase of stake in TMH does not change the assessment of associate as Alstom still has significant influence over TMH. Therefore, the purchase price paid for the additional interest is added to the existing carrying amount of the associate and the existing interest in the associate is not remeasured.

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

It has been decided to ease the process and to be consistent with the Energy Joint ventures disclosures to provide data as of end of December (no management accounts as of end of March). If the restatement of TMH net result and carrying value for fiscal year 2014/15 and 2015/16 had been done to allow consistency and comparability, share in net assets as at 31 March 2014 and March 2015 would have amounted to €365 million and €209 million respectively. Net income of fiscal year 2014/15 would have amounted to €(31) million.

Balance sheet

(in € million)	At 31 December 2015	At 31 December 2014
Non-current assets	747	937
Current assets	874	1,031
TOTAL ASSETS	**1,621**	**1,968**
Equity-attributable to the owners of the parent company	675	824
Equity-attributable to non-controlling interests	148	200
Non-current liabilities	122	286
Current liabilities	676	658
TOTAL EQUITY AND LIABILITIES	**1,621**	**1,968**

Income statement

(in € million)	Year ended 31 December 2015	Year ended 31 December 2014
Sales	1,391	2,466
Net income from continuing operations	5	173
Share of non-controlling interests	15	(14)
Net income attributable to the owners of the parent company	**20**	**159**
Other comprehensive income	(21)	15
TOTAL COMPREHENSIVE INCOME	**(16)**	**188**

The reconciliation of the summarized financial information of The Breakers Investments with the carrying value of the Group's interests can be broken down in the following way.

Reconciliation on carrying value

(in € million)	At 31 March 2016
Net asset of the Breakers Investments B.V at 31 December 2015	675
Other variations	(46)
Net asset of the Breakers Investments B.V. at 31 December2015	**629**
Equity interest held by the Group	33%
Goodwill	68
Impairment of share in net asset of equity investment	(57)
Other (*)	(4)
CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**214**

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

(in € million)	At 31 March 2015
Net asset of the Breakers Investments B.V at 31 December 2014	824
Income (loss) forecast for the latest quarter	(3)
Other variations	-
Net asset of the Breakers Investments B.V. at 31 March 2015	**821**
Equity interest held by the Group	25%
Goodwill	79
Impairment of share in net asset of equity investment	(70)
Other (*)	(6)
CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**208**

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

Reconciliation on net income

(in € million)	Year ended 31 March 2016
Net income of the Breakers Investments B.V for the year ended 31 December 2015	20
Income net adjustment	(64)
Net income of the Breakers Investments B.V for the year ended 31 December 2015	**(44)**
Equity interest held by the Group	25%
Impairment of share in net asset of equity investment	-
Other (*)	1
GROUP'S SHARE IN THE NET INCOME OF THE BREAKERS INVESTMENTS B.V	**(10)**

(*) Correspond to the amortization of the amounts recognized at the time of allocation of the acquisition price.

(in € million)	Year ended 31 March 2015
Net income of the Breakers Investments B.V for the year ended 31 December 2014	159
Income net adjustment due to the closing date difference	(27)
Net income of the Breakers Investments B.V for the year ended 31 March 2015	**133**
Equity interest held by the Group	25%
Impairment of share in net asset of equity investment	(70)
Other (*)	(1)
GROUP'S SHARE IN THE NET INCOME OF THE BREAKERS INVESTMENTS B.V	**(38)**

(*) Correspond to the amortization of the amounts recognized at the time of allocation of the acquisition price.

Dividends

(in € million)	At 31 March 2016	At 31 March 2015
Dividends received	-	35

12.1.2. Other associates

The Group's investment in other associates comprises investment in Casco, held by the Group at 49%, for €68 million as well as other associates which are not significant on an individual basis. On aggregate, the net carrying value of Alstom's Investment represents €101 million as of 31 March 2016 (€105 million as of 31 March 2015).

12.2. Investment in joint-ventures

		Share in equity		Share of net income	
(in € million)	% ownership	At 31 March 2016	At 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2015
Speed Innov JV	69%	27	-	-	-
Other		10	14	(25)	(16)
JOINT VENTURES		**37**	**14**	**(25)**	**(16)**

The Group's investment in joint ventures is not significant on an individual basis.

On aggregate, it corresponds to a net carrying value of €37 million as of 31 March 2016 (€14 million as of 31 March 2015).

Main movement is linked to the creation of a Joint Venture called SpeedInnov in partnership with ADEME *(Agence de l'environnement et de la maîtrise de l'énergie)*.

SSL previously accounted for as a Joint Venture is now consolidated in full due to purchase of 50% additional stake as described in Note 1.2.

NOTE 13 • NON-CONSOLIDATED INVESTMENTS

Movements during the period

(in € million)	At 31 March 2016	At 31 March 2015
Opening balance	**36**	**160**
Change in fair value [1]	-	(1)
Acquisitions	7	4
Changes in consolidation method	-	-
Translation adjustments and other	(5)	(9)
Transfer to assets held for sale [2]	-	(118)
CLOSING BALANCE	**38**	**36**

(1) Change included in the other comprehensive income as fair value adjustments on available-for-sale assets.
(2) Of which BrightSource Energy Investment at 31 March 2015.

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

NOTE 14 • OTHER NON-CURRENT ASSETS

(in € million)	At 31 March 2016	At 31 March 2015
Financial non-current assets associated to financial debt [*]	318	383
Long-term loans, deposits and other	83	90
OTHER NON-CURRENT ASSETS	**401**	**473**

(*) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 26 and 30.1). They are made up as follows:
- at 31 March 2016, €301 million receivables and €17 million deposit;
- at 31 March 2015, €365 million receivables and €18 million deposit.

NOTE 15 • INVENTORIES

(in € million)	At 31 March 2016	At 31 March 2015
Raw materials and supplies	599	549
Work in progress	219	243
Finished products	121	138
Inventories, gross	**939**	**930**
Raw materials and supplies	(88)	(70)
Work in progress	(4)	(18)
Finished products	(13)	(21)
Write-down	**(105)**	**(109)**
INVENTORIES, NET	**834**	**821**

NOTE 16 • CONSTRUCTION CONTRACTS IN PROGRESS

(in € million)	At 31 March 2016	At 31 March 2015	Variation
Construction contracts in progress, assets	2,356	2,554	(198)
Construction contracts in progress, liabilities	(3,659)	(3,455)	(204)
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,303)**	**(901)**	**(402)**

(in € million)	At 31 March 2016	At 31 March 2015	Variation
Contracts costs incurred plus recognised profits less recognised losses to date	33,612	29,584	4,028
Less progress billings	(32,911)	(28,506)	(4,405)
Construction contracts in progress excluding down payments received from customers	**701**	**1,078**	**(377)**
Down payments received from customers	(2,004)	(1,979)	(25)
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,303)**	**(901)**	**(402)**

NOTE 17 • TRADE RECEIVABLES

			Past due on the closing date		
(in € million)	Total	No past due on the closing date	Less than 60 days	Between 60 and 180 days	More than 180 days
AT 31 MARCH 2016	**1,613**	**1,190**	**156**	**76**	**191**
• o/w gross	1,655	1,190	156	76	233
• o/w impairment	(42)	-	-	-	(42)
AT 31 MARCH 2015	**1,470**	**1,065**	**138**	**43**	**224**
• o/w gross	1,480	1,070	138	43	229
• o/w impairment	(10)	(5)	-	-	(5)

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

(in € million)	At 31 March 2016	At 31 March 2015
Down payments made to suppliers	85	118
Corporate income tax	171	117
Other taxes	127	248
Prepaid expenses	47	54
Other receivables	185	145
Derivatives relating to operating activities	191	782
Remeasurement of hedged firm commitments in foreign currency	312	493
OTHER CURRENT OPERATING ASSETS	**1,118**	**1,957**

Movements over the period ended 31 March 2016 mainly arose from derivatives.

As a reminder, as at 31 March 2015, foreign exchange derivatives negotiated by Alstom Holdings (this entity not being classified as held for sale) included those dedicated to hedge foreign currency exposures of the Energy activities. As at 31 March 2016, only derivatives related to continuing activities are reported on the balance sheet.

NOTE 19 • MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

(in € million)	At 31 March 2016	At 31 March 2015
Derivatives related to financing activities	22	61
Marketable securities	-	-
MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS	**22**	**61**

NOTE 20 • CASH AND CASH EQUIVALENTS

(in € million)	At 31 March 2016	At 31 March 2015
Cash	507	1,360
Cash equivalents	1,454	239
CASH AND CASH EQUIVALENTS	**1,961**	**1,599**

Following the General Electric transaction on 2 November 2015, the Group diversified its asset management policy in order to limit its counterparty risk. In addition to remunerated and non-remunerated current accounts with banks classified as cash, the Group invests in cash equivalents:

- euro money market funds in an amount of €1,143 million qualified as "monetary" or "monetary short term" under the French AMF classification;
- bank term deposits that can be terminated at any time with less than three months notification period in an amount of €311 million.

NOTE 21 • WORKING CAPITAL

(in € million)	At 31 March 2016	At 31 March 2015	Variation
Inventories	834	821	13
Construction contracts in progress, net	(1,303)	(901)	(402)
Trade receivables	1,613	1,470	143
Other current operating assets / (liabilities)	(363)	(535)	172
Provisions	(863)	(1,314)	451
Trade payables	(1,133)	(917)	(216)
WORKING CAPITAL	**(1,215)**	**(1,376)**	**161**

(in € million)	Year ended 31 March 2016
Working capital at the beginning of the period	**(1,376)**
Changes in working capital resulting from operating activities	1,800
Changes in working capital resulting from investing activities	108
Translation adjustments and other changes	994
Transfer to assets held for sale	(2,741)
Total changes in working capital	**161**
WORKING CAPITAL AT THE END OF THE PERIOD	**(1,215)**

Movements on working capital include flows relating to both continuing and discontinued activities (of which €(263) million for continuing activities).

Changes in working capital on continued activities mainly include DOJ settlement and opening Balance Sheets of acquired entities.

NOTE 22 • EQUITY

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

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

22.1. Movements in share capital

Movements in financial year ended 31 March 2016

At 31 March 2016, the share capital of Alstom amounted to €1,533,889,308 consisting of 219,127,044 ordinary shares with a par value of €7 each. For the year ended 31 March 2016, the weighted average number of outstanding ordinary shares amounted to 295,034,182 after the dilutive effect of bonds reimbursable in shares *"obligations remboursables en actions"* and to 297,510,266 after the effect of all dilutive instruments.

During the year ended 31 March 2016:

- 91,500,000 shares were repurchased at a price of €35 per share and cancelled on 28 January 2016 following a public tender offer. The nominal value of the shares thus cancelled has been deducted from the Company's capital (nominal value of €7 per share);
- the discrepancy between the nominal value and the repurchase price (€28 per share) represents a premium that has been deducted from the account retained earnings;
- 688 bonds reimbursable in shares *"obligations remboursables en actions"* were converted into 43 shares at a par value of €7. The 77,554 bonds reimbursable with shares outstanding at 31 March 2016 represent 4,870 shares to be issued;
- 407,167 of ordinary shares were issued under long term incentive plans.

Movements in financial year ended 31 March 2015

At 31 March 2015, the share capital of Alstom amounted to €2,168,547,479 consisting of 309,792,497 ordinary shares with a par value of €7 each. For the year ended 31 March 2015, the weighted average number of outstanding ordinary shares amounted to 309,364,543 after the dilutive effect of bonds reimbursable in shares *"obligations remboursables en actions"* and to 311,113,878 after the effect of all dilutive instruments.

During the year ended 31 March 2015:

- 1,408 bonds reimbursable in shares *"obligations remboursables en actions"* were converted into 89 shares at a par value of €7. The 78,242 bonds reimbursable with shares outstanding at 31 March 2015 represent 4,913 shares to be issued;
- 1,090,262 of ordinary shares were issued under long term incentive plans.

22.2. Distribution of dividends

Due to the recent share Buy Back, no dividend distribution will be proposed at the next Annual General Meeting.

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

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

22.3. Currency translation adjustment

The currency translation adjustment, presented within the consolidated statement of comprehensive income, primarily reflects the effect of variations of the US Dollar (€(31) million), Chinese Yuan (€(35) million), Indian Rupee (€(31) million), Brazilian Real (€(67) million), and Russian Federation Ruble (€(42) million) against the Euro for the year ended 31 March 2016 on the net equity of the Group's affiliates the functional currencies of which are not the euro.

In relation with the disposal of the Energy business, €(223) million of currency translation adjustment were reclassified in the income statement.

NOTE 23 • SHARE-BASED PAYMENTS

23.1. 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 No. 7	Plan No. 8	Plan No. 9	Plan No. 10	Plan No. 10	Plan No. 11	Plan No. 11	Plan No. 12	Plan No. 12
	Stock options	Stock options	Stock options	Stock options	Performance shares	Stock options	Performance shares	Stock options	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	21/09/2009	21/09/2009
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	21/09/2012 20/09/2017	N/A
Number of beneficiaries	1,007	1,030	1,053	1,196	1,289	411	1,431	436	1,360
Adjusted number granted (1)	5,566,000	2,803,000	3,870,345	1,950,639	252,000	754,300	445,655	1,001,612	522,220
Adjusted number exercised since the origin	5,048,533	2,435,547	605,711	1,150	220,320	-	-	-	182,432
Adjusted number cancelled since the origin	517,467	367,453	539,870	329,751	31,680	754,300	445,655	650,183	339,788
Adjusted number outstanding at 31 March 2016	-	-	2,724,764	1,619,738	-	-	-	351,429	-
inc. to the present members of the Executive Committee	-	-	111,683	67,586	-	-	-	23,408	-
Adjusted exercise price (2) *(in €)*	8.60	17.88	32.48	58.73	N/A	66.47	N/A	43.48	N/A
Fair value at grant date *(in €)*	7.30	10.30	12.90	29.24	129.20	16.71	63.54	11.26	48.11

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

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

	Plans issued by Shareholders' Meeting on 22 June 2010								Plan issued by Shareholders' Meeting on 17 March 2016
	Plan No. 13	Plan No. 13	Plan No. 14	Plan No. 14	Plan No. 15	Plan No. 15	Plan No. 16	Plan No. 16	PSP 2016
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Performance shares
Grant date	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016
Exercise period	13/12/2013 12/12/2018	N/A	04/10/2014 03/10/2019	N/A	10/12/2015 09/12/2020	N/A	03/10/2016 30/09/2021	N/A	N/A
Number of beneficiaries	528	1,716	514	1,832	538	1,763	292	1,814	737
Adjusted number granted (1)	1,419,767	740,860	1,573,723	804,040	1,508,777	883,140	771,997	1,130,791	957,975
Adjusted number exercised since the origin	-	506,330	75,178	478,149	26,760	178,863	-	678	
Adjusted number cancelled since the origin	463,353	234,530	694,249	325,891	803,615	490,190	68,485	93,338	
Adjusted number outstanding at 31 March 2016	956,414	-	804,296	-	678,402	214,087	703,512	1,036,775	957,975
inc. to the present members of the Executive Committee	89,622	-	69,680	-	57,198	2,521	71,608	53,449	160,500
Adjusted exercise price (2) *(in €)*	28.83	N/A	22.96	N/A	24.10	N/A	23.44	N/A	N/A
Fair value at grant date *(in €)*	7.59	31.35	3.14	19.77	5.80	26.70	3.84	22.62	17.12

At 31 March 2016, stock options granted by plans 8, 9, 10, 11, 12, 13, 14 and 15 are fully vested. For plans 9 and 10, options will expire seven years after the end of the vesting period of each plan. For plans 12, 13, 14, 15 and 16 options will expire five years after the end of the vesting period.

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

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

LTI plan 15 granted on 10 December 2012

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

Based on consolidated financial statements for the fiscal years ended 31 March 2013 and 31 March 2014, the performance conditions were achieved for 30% of an allotment of LTIP15 options and performance shares.

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

LTI plan 16 granted on 1 October 2013

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

As a consequence, all options will be exercisable under this plan and all performance shares will be delivered.

In addition, for both plans 15 and 16, the presence condition has been waived for the beneficiaries having left the Group as part of the Energy transaction on the condition they are employees of Alstom group as at the date of the closing of the transaction. This triggered the stock option and performance plans expense acceleration recorded in Income statement of discontinued operations. Furthermore, under the terms of the Contract of Sale, General Electric paid Alstom the economic value of the subscription options and performance shares allocated to beneficiaries within the perimeter of the Transaction (including the Chairman and Chief Executive Officer) for LTI plans 14, 15 and 16 for €56 million, this cost having been established by an independent expert after the completion of the Transaction.

PSP 2016 granted on 17 March 2016

This plan has been agreed by the Shareholders' Meeting of 17 March 2016. It allocates 957,975 performance shares to 737 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and Free Cash Flow for fiscal years ended 31 March 2017, 31 March 2018, and 31 March 2019, and one external condition linked to the performance of the Company's share.

The final delivery will take place five days after the communication of the 31 March 2019 results.

The number of Performance Shares will be determined as follows:

	2016/17	2017/18	2018/19
KPI weight	20%	25%	55%
Free Cash Flow	10%	10%	10%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with FCF up to +€300 million (yearly)		
Adjusted EBIT	10%	15%	15%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with aEBIT *margin* up to 7% (yearly)		
TSR	0%	0%	30%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with Alstom TSR up to 10 points above Index TSR		

Movements

	Number of options	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2014	**8,849,932**	**36.49**	**2,506,196**
Granted	-	-	-
Exercised	(481,126)	13.06	(495,050)
Cancelled	(855,018)	27.23	(451,005)
Outstanding at 31 March 2015	**7,513,788**	**39.06**	**1,560,141**
Granted (*)	1,572,120	0.00	1,189,666
Exercised (*)	(519,494)	16.07	(427,740)
Cancelled (*)	(727,859)	10.41	(113,230)
OUTSTANDING AT 31 MARCH 2016	**7,838,555**	**35.44**	**2,208,837**
of which exercisable	*7,135,043*		*N/A*

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

Valuation

	Plan No. 11 stock options	Plan No. 11 performance shares	Plan No. 12 stock options	Plan No. 12 performance shares	Plan No. 13 stock options	Plan No. 13 performance shares
Grant date	23/09/2008	23/09/2008	21/09/2009	21/09/2009	13/12/2010	13/12/2010
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
End of vesting period	22/09/2011	31/05/2011 or 22/09/2012	20/09/2012	31/05/2012 or 20/09/2013	12/12/2013	31/05/2013 or 12/12/2014
Adjusted exercise price (*) *(in €)*	66.47	N/A	43.48	N/A	28.83	N/A
Share price at grant date *(in €)*	65.10	65.10	50.35	50.35	35.40	35.40
Volatility	30%	N/A	30%	N/A	31%	N/A
Risk free interest rate	4.1%	4.4%	2.0%	2.3%	1.8%	2.0%
Dividend yield	1.3%	1.3%	1.3%	1.3%	3.1%	3.1%

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

	Plan No. 14 stock options	Plan No. 14 performance shares	Plan No. 15 stock options	Plan No. 15 performance shares	Plan No. 16 stock options	Plan No. 16 performance shares	PSP 16 performance shares
Grant date	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016
Expected life *(in years)*	4.0	2.5 or 4.0	4.0	2.5 or 4.0	3.0	4.0	3.2
End of vesting period	03/10/2014	31/05/2014 or 03/10/2015	09/12/2015	31/05/2015 or 09/12/2016	30/09/2016	30/09/2017	17/05/2019
Adjusted exercise price (*) *(in €)*	22.96	N/A	24.10	N/A	23.44	N/A	N/A
Share price at grant date *(in €)*	23.82	23.82	29.77	29.77	26.33	26.33	21.84
Volatility	31%	N/A	30%	N/A	28%	N/A	N/A
Risk free interest rate	1.5%	1.5%	0.5%	0.5%	0.9%	0.9%	0.3%
Dividend yield	5.0%	5.0%	3.4%	3.4%	3.8%	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) and adjusted, where necessary, due to share buy-back operation.

The option valuation method follows a binomial mathematical model for plan 11, a Black & Scholes model for plans 12, 13, 14, 15 and 16 as well as Monte Carlo model for PSP 2016, with exercise of the options anticipated and spread over the exercise period on a straight-line basis.

The volatility factor applied is an average of CAC 40 comparable companies' volatility at the grant date for plans 11 to 16, and Alstom's volatility for PSP 2016.

The Group booked a total expense of €8 million for the year ended 31 March 2016, out of which €6 million in discontinued operations (to be compared to €26 million for the year ended 31 March 2015 of which €20.5 million in discontinued operations).

23.2. Stock appreciation rights ("SARs")

Key characteristics

	SARs No. 8	Notional SARs (1)	SARs No. 9	SARs No. 10
Grant date	18/11/2005	16/12/2005	28/09/2006	25/09/2007
Vesting date	27/09/2008	27/09/2008	28/09/2009	25/09/2010
Expiry date	18/11/2015	26/09/2015	28/09/2016	24/09/2017
Number of beneficiaries	4	-	3	8
Adjusted number granted (2)	6,000	-	8,750	4,800
Adjusted number exercised since the origin	(5,000)	-	(1,250)	-
Adjusted number cancelled since the origin	(1,000)	-	-	(1,000)
Adjusted number outstanding at 31 March 2016	-	-	7,500	3,800
Adjusted exercise price (3) *(in €)*	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 2014	**19,550**	**41.05**
Granted	-	-
Exercised	-	-
Cancelled	-	-
Outstanding at 31 March 2015	**19,550**	**41.05**
Granted	-	-
Exercised	(6,250)	31.65
Cancelled	(2,000)	47.94
OUTSTANDING AT 31 MARCH 2016	**11,300**	**48.62**
of which exercisable	*11,300*	

Valuation

	SARs No. 8	Notional SARs (1)	SARs No. 9	SARs No. 10
Grant date	18/11/2005	16/12/2005	28/09/2006	25/09/2007
Expected life *(in years)*	4	4	4	4
End of vesting period	27/09/2008	27/09/2008	28/09/2009	24/09/2010
Adjusted exercise price (2) *(in €)*	22.45	17.88	36.05	73.42
Share price at 31 March 2016 *(in €)*	22.47	22.47	22.47	22.47
Share price at 31 March 2015 *(in €)*	28.96	28.96	28.96	28.96
Volatility	17.92%	17.92%	17.92%	17.92%
Risk free interest rate	0.23%	0.23%	0.23%	0.23%
Dividend yield	5.0%	5.0%	5.0%	5.0%

(1) SARs of the Notional plan have been granted at an exercise price of €17.88 and are capped at €22.45.
(2) The number of SARs and their exercise prices has been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

The value of SARs plans is measured at the grant date using a Black & Scholes option valuation model taking into account the terms and conditions according to which the instruments were granted. Until the liability is settled, it is measured at each reporting date with changes in fair value recognized in profit and loss.

NOTE 24 • PROVISIONS

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

(in € million)	At 31 March 2014	Additions	Releases	Applications	Translation adjustments and other	Provisions related to assets held for sale	At 31 March 2015
Warranties	663	223	(198)	(177)	19	(430)	100
Litigations, claims and others	528	937	(160)	(106)	(4)	(264)	931
Current provisions	**1,191**	**1,160**	**(358)**	**(283)**	**16**	**(695)**	**1,031**
Of which current provisions attributable to discontinued operations	*847*	*311*	*(291)*	*(193)*	*21*	*(695)*	*-*
Tax risks and litigations	201	74	(42)	(10)	2	(119)	106
Restructuring	162	122	(9)	(74)	1	(155)	47
Other non-current provisions	347	148	(41)	(150)	44	(218)	130
Non-current provisions	**710**	**344**	**(92)**	**(234)**	**46**	**(491)**	**283**
Of which non-current provisions attributable to discontinued operations	*512*	*227*	*(67)*	*(196)*	*15*	*(491)*	*-*
TOTAL PROVISIONS	**1,901**	**1,504**	**(450)**	**(517)**	**62**	**(1,186)**	**1,314**
Of which provisions attributable to discontinued operations	*1,359*	*538*	*(358)*	*(389)*	*36*	*(1,186)*	*-*

Movements over the period ended 31 March 2016 mainly arose from the payment of the fine linked to DOJ (agreement concluded with the US Department of Justice resulting in a fine of €722 million booked as current provision in continued activities in March 2015).

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

Provisions for litigations, claims and others relate to operating risks that are not directly linked to contracts in progress.

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

Restructuring provisions derive from the footprint's adaptation.

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

NOTE 25 • 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 €938 million as of 31 March 2016 (see Note 25.2) is analysed as follows:

- several pension plans for €741 million;
- other post-employment benefits for €158 million which include end-of-service benefits in France and Italy; and
- other long-term defined benefits for €39 million which mainly correspond to jubilees in France and Germany.

Net provisions for post-employment benefits total €486 million, as of 31 March 2016 compared with €453 million, as of 31 March 2015.

25.1. 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.

After the disposal of Energy activities, defined benefit plans mainly relate to United Kingdom, Germany, France and United States of America.

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

In the United Kingdom, there are three defined benefit pension plans covering different populations. Each of these are Sections of the large UK Railways Pension Scheme and provide a pension in the form of an indexed annuity. Two of these plans are historical and were closed to new members as of 1 July 2013 and the third is being consolidated following the acquisition of the shares held by Balfour Beatty in Signalling Solutions Limited. New hires are ordinarily offered the opportunity to participate in a defined contribution Group pension plan ("GPP"), a Group life insurance plan and an income replacement scheme.

In Germany, the plans provide coverage for pension, death and disability. In the past, the pension was accrued in the form of an annuity. The plans were deeply modified for future accruals in 2010 for the employees to remove most, particularly the higher risk, defined benefit pension plans. The plans 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, these are remitted into defined contributions plans.

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

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

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

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

In the US, there has been a shift from Defined Benefit (DB) pension retirement benefits to Defined Contribution (DC) retirement benefits. Prior to the close, there were a number of Transport Inc employees with a frozen DB Pension benefit under an Alstom plan that included employees from all activities. This plan transferred to General Electric with the close eliminating DB pension benefits for legacy Alstom employees. At the time of the close, a new DB Pension Plan was put in place as a retention tool for approximately 400 Alstom Signalling Operation LLC (former General Electric employees) acquired through the transaction. This plan is closed to new entrants and is designed to duplicate the pension benefits this group had prior to joining Alstom. It is the only non-union DB pension plan in the US. A DC Plan is in place for the benefit of all non-union employees. The employer subsidies post-employment medical benefits for a small population in Alstom Signalling Inc. In addition a fully paid employer post-employment retiree life insurance exists for an even smaller group of employees in Alstom Signalling Inc.

25.2. Defined benefit obligations

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

(in € million)	At 31 March 2015	United Kingdom	Switzerland	Euro zone	Other
Defined benefit obligations at beginning of year	**(5,974)**	**(2,505)**	**(1,518)**	**(1,140)**	**(811)**
Service cost	(116)	(14)	(56)	(29)	(17)
Plan participant contributions	(42)	(3)	(38)	-	(1)
Interest cost	(238)	(123)	(38)	(37)	(40)
Plan amendments	(26)	-	9	(8)	(27)
Business combinations / disposals	52	-	-	17	35
Curtailments	3	-	-		3
Settlements	4	-	-	-	4
Actuarial gains (losses) – due to experience	24	8	4	14	(2)
Actuarial gains (losses) – due to changes in assumptions	(1,038)	(504)	(257)	(211)	(66)
Benefits paid	359	132	80	71	76
DBO related to assets held for sale	6,871	3,009	2,060	892	910
Foreign currency translation and others	(831)	(388)	(279)	-	(164)
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	**(952)**	**(388)**	**(33)**	**(431)**	**(100)**
Of which:					
Funded schemes	(643)	(388)	(33)	(155)	(67)
Unfunded schemes	(309)	-		(276)	(33)

25.3. Plan assets

As indicated in Note 25.1, for defined benefit plans, plan assets have been progressively built up by contributions from the employer and the employees, primarily in the United Kingdom, Switzerland, the United States of America and Germany.

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

(in € million)	At 31 March 2015	United Kingdom	Switzerland	Euro zone	Other
Fair value of plan assets at beginning of year	**4,522**	**2,125**	**1,556**	**324**	**517**
Interest income	173	102	36	10	25
Actuarial gains/(losses) on assets due to experience	360	170	116	44	30
Company contributions	138	61	59	3	15
Plan participant contributions	42	3	38	-	1
Business combinations /disposals	(24)	-	-	-	(24)
Settlements	(4)	-	-	-	(4)
Benefits paid from plan assets	(302)	(130)	(78)	(30)	(64)
Fair value of plan assets held for sale	(5,110)	(2,287)	(1,975)	(279)	(569)
Foreign currency translation and others	705	311	279	-	115
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**500**	**355**	**31**	**72**	**42**

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

(in € million)	At 31 March 2016	At 31 March 2015
Defined benefit obligations	(938)	(952)
Fair value of plan assets	452	500
Funded status of the plans	**(486)**	**(452)**
Impact of asset ceiling	-	(1)
NET OF ACCRUED AND PREPAID BENEFIT COSTS AFTER ASSET CEILING	**(486)**	**(453)**
Of which:		
Accrued pension and other employee benefit costs	(487)	(461)
Prepaid pension and other employee benefit costs	1	8

Movements over the period ended 31 March 2016 mainly arose from Canada, France, United Kingdom and the United States of America.

The net asset of €1 million mainly related to a pension scheme in the United Kingdom is supported by appropriate refund expectations, as requested by IFRIC 14.

25.5. Components of plan assets

(in € million)	At 31 March 2016	%	United Kingdom	Euro zone	Other
Equities	237	52.4%	64%	28%	4%
Bonds	159	35.2%	32%	67%	7%
Properties	11	2.4%	3%	-	-
Other	45	10.0%	1%	5%	89%
TOTAL	**452**	**100%**	**100%**	**100%**	**100%**

(in € million)	At 31 March 2015	%	United Kingdom	Switzerland	Euro zone	Other
Equities	220	44.0%	44%	31%	34%	38%
Bonds	238	47.6%	48%	51%	62%	53%
Properties	23	4.6%	5%	13%	-	6%
Other	19	3.8%	3%	5%	4%	3%
TOTAL	**500**	**100%**	**100%**	**100%**	**100%**	**100%**

An active market price exists for all plan assets except properties.

Change in the composition of plan assets between March 2015 and March 2016 is mainly due to SSL integration.

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 2016, plan assets do not include securities issued by the Group.

25.6. Assumptions (weighted average rates)

Actuarial valuations of the Group's benefit obligation have been made as of 31 March 2016 and 31 March 2015. These valuations include:

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

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

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

(in %)	At 31 March 2015 (*)	United Kingdom	Switzerland	Euro zone	Other
Discount rate	2.80	3.50	1.15	1.86	3.78
Rate of compensation increase	3.17	3.80	1.49	2.71	2.44

(*) Assumptions relate to continuing activities (discount rate for the whole Group is 2.68%; rate of compensation increase for the whole Group is 2.91%).

As of 31 March 2016, the weighted average durations of the defined benefit obligations are the following:

(in years)	At 31 March 2016	United Kingdom	Euro zone	Other
Weighted average duration	15	17	13	13

Discount rate

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

Rate of compensation increase

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

Assumptions related to the post-employment healthcare obligation

The healthcare trend rate is assumed to be 8.82% in the year ended 31 March 2016 and reduces thereafter to an ultimate rate of 5.65% from 2022 onwards.

Sensitivity analysis

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

(in € million)	At 31 March 2016
Impact of a 25 bp increase or decrease in the discount rate	(32) / +34
Impact of a 25 bp increase or decrease in the rate of compensation increase	+9 / (9)

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

As at 31 March 2016, the benefit expense for the whole Group is the following:

(in € million)	Year ended 31 March 2016	Continued activities (*)	Discontinued activities	Year ended 31 March 2015	Continued activities (*)	Discontinued activities
Service cost	(103)	(29)	(74)	(116)	(17)	(99)
Defined contribution plans	(186)	(93)	(93)	(232)	(91)	(141)
Income from operations	**(289)**	**(122)**	**(167)**	**(348)**	**(108)**	**(240)**
Actuarial gains/(losses) on other long-term benefits	(3)	(3)		(8)	(1)	(7)
Past service gain (cost)	(1)	(1)		(26)	(16)	(10)
Curtailments/settlements	5	1	4	3	-	3
Other income (expense)	**1**	**(3)**	**4**	**(31)**	**(17)**	**(14)**
Financial income (expense)	**(40)**	**(9)**	**(31)**	**(65)**	**(14)**	**(51)**
TOTAL BENEFIT EXPENSE	**(328)**	**(134)**	**(194)**	**(444)**	**(139)**	**(305)**

(*) Including €17 million for the year ended 31 March 2016 against €8 million in relation to the United Kingdom for the year ended 31 March 2015, and €93 million for the year ended 31 March 2016 against €106 million in relation to the euro zone for the year ended 31 March 2015.

25.8. 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 2016 amounted to €52 million and covers both regular contributions for accruing service and recovery contributions in case of funding shortfall.

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

- €27 million in the year ending 31 March 2017;
- €24 million in the year ending 31 March 2018;
- €26 million in the year ending 31 March 2019.

Total cash spent for defined contribution plans in the year ended 31 March 2016 amounted to €186 million.

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

NOTE 26 • FINANCIAL DEBT

Carrying amount *(in € million)*	**At 31 March 2016**	**At 31 March 2015**
Bonds	1,970	3,838
Other borrowing facilities	115	856
Put options and earn-out on acquired entities	54	2
Derivatives relating to financing activities	18	59
Accrued interests	20	39
Borrowings	**2,177**	**4,794**
Non-current	*1,538*	*2,847*
Current	*639*	*1,947*
Obligations under finance leases	26	27
Other obligations under long-term rental (*)	301	365
Obligations under finance leases	**327**	**392**
Non-current	*280*	*341*
Current	*47*	*51*
TOTAL FINANCIAL DEBT	**2,504**	**5,186**

(*) The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Notes 15 and 31).

Changes in financial debt position between 31 March 2015 and 2016 mainly arose, after General Electric transaction completion, from:

- the repayment of two bonds for a total amount of €1.000 million (€500 million having matured on 5 October 2015 and €500 million having matured on 2 March 2016);
- the partial repurchase of bonds, on 19 February 2016, following a tender offer process, in an amount of €953 million (corresponding to €875 million nominal value);
- the repayment of commercial papers in an amount of €741 million.

Moreover, from 1 April to 2 November 2015, additional short term financing has been drawn (Commercial papers, bridge loans and revolving credit facilities) and repaid after General Electric transaction closing.

The following table summarises the remaining bonds maturity schedule, after the February 2016 tender offer:

	Initial Nominal value *(in € million)*	**Maturity date**	**Nominal interest rate**	**Effective interest rate**	**Redemption at maturity**	**Nominal amount repurchased**	**Residual nominal value at 31 March 2016**	**Market value at 31 March 2016**
Alstom October 2015	500	05/10/2015	2.88%	2.98%	(500)		-	
Alstom March 2016	500	02/03/2016	3.87%	4.05%	(500)		-	
Alstom February 2017	750	01/02/2017	4.13%	4.25%		(297)	453	468
Alstom October 2017	350	11/10/2017	2.25%	2.44%		(78)	272	280
Alstom October 2018	500	05/10/2018	3.63%	3.71%		(129)	371	400
Alstom July 2019	500	08/07/2019	3.00%	3.18%		(217)	283	304
Alstom March 2020	750	18/03/2020	4.50%	4.58%		(154)	596	683
TOTAL						**(875)**	**1,975**	**2,135**

The weighted average notional interest rate stands at 3.73% as of 31 March 2016 while the weighted average effective interest rate stands at 3.85%.

NOTE 27 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

27.1. Financial instruments reported in the financial statements

The Group's financial liabilities encompass borrowings, trade and other payables. The main purpose of these financial liabilities is to raise funds for the Group's operations.

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

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 the financial debt is estimated based on either quoted market prices for traded instruments or current rates offered to the Group for debt of the same maturity;
- the fair value of cash, cash equivalents, trade receivables and trade payables is considered as being equivalent to carrying value, due to their short maturities, or their market value in the case of money market funds;
- the fair value of derivative instruments is 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.

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

Year ended 31 March 2016

Balance sheet positions at 31 March 2016

At 31 March 2016 *(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
Non consolidated investments	38	-	-	38	-	-	38	-	-	38	38
Other non-current assets	401	1	-	-	400	-	400	-	82	318	400
Trade receivables	1,613	-	-	-	1,613	-	1,613	-	1,613	-	1,613
Other current operating assets	1,118	466	312	-	150	191	652	-	652	-	652
Marketable securities and other current financial assets	22	-	-	-	-	22	22	-	22	-	22
Cash and cash equivalents	1,961	-	1,143	-	818	-	1,961	1,143	818	-	1,961
ASSETS	**5,153**	**467**	**1,455**	**38**	**2,981**	**213**	**4,686**	**1,143**	**3,187**	**356**	**4,686**
Non-current borrowings	1,538	-	-	-	1,538	-	1,538	1,666	16	-	1,682
Non-current obligations under finance leases	280	-	-	-	280	-	280	-	280	-	280
Current borrowings	639	-	-	-	621	18	639	467	187	-	654
Current obligations under finance leases	47	-	-	-	47	-	47	-	47	-	47
Trade payables	1,133	-	-	-	1,133	-	1,133	-	1,133	-	1,133
Other current operating liabilities	1,481	508	172	-	512	290	974	-	974	-	974
LIABILITIES	**5,118**	**508**	**172**	**-**	**4,131**	**308**	**4,611**	**2,133**	**2,637**	**-**	**4,770**

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

As mentioned in Note 2.3.1, there is a financial instrument (put) presented together with alliances in investments in associates disclosure (Note 12.1).

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

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

(*) Excluding interest expense recharged to discontinued operations until 2 November 2015 in application of the cash pool agreement (see Notes 3 and 7).

Year ended 31 March 2015

Balance sheet positions at 31 March 2015

At 31 March 2015 (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
Non consolidated investments	36	-	-	36	-	-	36	-	-	36	36
Other non-current assets	473	8	-	-	465	-	465	-	82	383	465
Trade receivables	1,470	-	-	-	1,470	-	1,470	-	1,470	-	1,470
Other current operating assets	1,957	540	493	-	143	782	1,418	-	1,418	-	1,418
Marketable securities and other current financial assets	61	-	-	-	-	61	61	-	61	-	61
Cash and cash equivalents	1,599	-	1,599	-	-	-	1,599	-	1,599	-	1,599
ASSETS	**5,596**	**548**	**2,092**	**36**	**2,078**	**843**	**5,049**	**-**	**4,630**	**419**	**5,049**
Non-current borrowings	2,847	-	-	-	2,847	-	2,847	-	3,132	-	3,132
Non-current obligations under finance leases	341	-	-	-	341	-	341	-	341	-	341
Current borrowings	1,947	-	-	-	1,889	58	1,947	-	1,970	-	1,970
Current obligations under finance leases	51	-	-	-	51	-	51	-	51	-	51
Trade payables	917	-	-	-	917	-	917	-	917	-	917
Other current operating liabilities	2,492	575	176	-	382	1,360	1,918	-	1,918	-	1,918
LIABILITIES	**8,595**	**575**	**176**	**-**	**6,427**	**1,418**	**8,021**	**-**	**8,329**	**-**	**8,329**

(*) 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 2015

(in € million)	FV P/L	AFS	LRL at amortised cost inc. related derivatives	Total
Interests	12	-	(193)	(181)
Interest income (*)	*12*	*-*	*-*	*12*
Interest expense	*-*	*-*	*(193)*	*(193)*
Dividends	-	-	-	-
Impairment/loss from subsequent measurement	-	-	-	-
Gain on disposal	-	-	-	-
Foreign currency and other	-	-	(18)	(18)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2015	**12**	**-**	**(211)**	**(199)**

(*) Excluding interest expense recharged to discontinued operations in application of the cash pool agreement (see Notes 3 and 7).

27.2. Currency risk management

Financial debt

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

(in € million)	At 31 March 2016	At 31 March 2015
Euro	2,011	4,650
Brazilian Real	24	78
British Pound	309	377
Russian Federation Rouble	-	7
US Dollar	84	46
Other currencies	82	40
FINANCIAL DEBT IN NOMINAL VALUE	**2,510**	**5,198**

The debt in British Pound essentially originates from a long-term lease scheme of trains, involving London Underground. The equivalent of €302 million debt denominated in British Pound is counter-balanced by long-term receivables having the same maturity and also denominated in British Pound that are recognised as non-current assets (see Notes 14, 26 and 31).

Financial derivatives

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

Derivatives hedging commercial activity

In the course of its operations, the Group is exposed to currency risk arising from tenders submitted in foreign currency, awarded contracts and any future cash out transactions denominated in foreign currency. Main currency triggering a significant exposure as of 31 March 2016 is primarily the US dollar.

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

The Group general policy is to use forward currency contracts to eliminate the currency risk on any individual sale or purchase transaction. Forward currency contracts are denominated in the same currency than the hedged item. Generally, the tenor of hedging derivatives matches with the tenor of the hedged items. However, the Group may decide depending on market conditions to enter into derivatives in shorter tenors and to roll them subsequently.

The portfolio of operating of FX forward contracts has a weighted maturity of one year and seven months. However some forward contracts may mature beyond five years to reflect the long term nature of some of the hedged contracts. The Group hedges about forty different currencies with a multitude of crosses depending on which entity of the Group is exposed to the currency. As of 31 March 2016 the Group has an outstanding portfolio of currency forward contracts hedging €4 billion of future cash out towards suppliers (including intercompany payments) and €4 billion of future receipts from clients (including intercompany cash-in). Change in Forex rate is compensated by the re-evaluation by Profit and Loss at Fair Market Value on derivatives.

They may be summarized as follows:

(in € million)	Net derivatives positions	
Currency 1 / Currency 2 (*)	**Net notional**	**Fair value**
USD/EUR	(1,401)	(132)
EUR/BRL	(142)	(8)
EUR/INR	204	(3)
PLN/EUR	361	10
EUR/ZAR	324	16
USD/CAD	231	21
Other	427	(3)
TOTAL	**4**	**(99)**

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

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

Overall derivatives positions

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

	At 31 March 2016		At 31 March 2015	
(in € million)	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	212	307	831	1,383
Derivatives qualifying for cash flow hedge	-	-	11	34
Derivatives qualifying for net investment hedge	-	-	-	-
Derivatives not qualifying for hedge accounting	1	1	1	1
TOTAL	**213**	**308**	**843**	**1,418**

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 change in foreign exchange spot rates and to a lesser extend the relative change in interest rate curves relating to the hedged currencies during the periods ended 31 March 2015 and 31 March 2016 explains the amount of fair value of derivative instruments (either positive or negative). For instruments that qualify for fair value hedge accounting, change in fair value arising from spot rates is mostly offset by the re-measurement of the underlying exposure (either on balance sheet or off-balance sheet).

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

At 31 March 2016, the fair value of hedging instruments in the discontinued operations corresponding to staggered and delayed transferred assets is negligible.

As a reminder, at 31 March 2015, the fair value of hedging instruments included in the discontinued operations represented a net liability of €270 million (of which €292 million of hedging instruments against Alstom Holdings).

Alstom enters with its banking counterparties in bilateral standard derivatives agreements that do not provide for collateralization of the derivatives market value.

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

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

At 31 March 2015 *(in € million)*	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities set off in the balance sheet	Net amounts of financial assets/liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Derivatives assets	843		843	(794)		47
Derivatives liabilities	(1,418)		(1,418)	794		(623)

27.3. Interest rate risk management

After the General Electric transaction, the Group keeps short dated floating rate financial assets on its balance sheet, while its debt is merely made of fixed rate bonds.

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

Carrying amount *(in € million)*	**At 31 March 2016**	**At 31 March 2015**
Financial assets at floating rate	2,023	1,639
Financial assets at fixed rate	335	412
Financial assets bearing interests	**2,358**	**2,051**
Financial debt at floating rate	169	1
Financial debt at fixed rate, put options and earn-out on acquired entities	2,335	5,185
Financial debt	**2,504**	**5,186**
Total position at floating rate before swaps	2,192	1,640
Total position at fixed rate before swaps	2,670	5,597
Total position before hedging	**4,862**	**7,237**
Total position at floating rate after swaps	2,192	1,640
Total position at fixed rate after swaps	2,670	5,597
TOTAL POSITION AFTER HEDGING	**4,862**	**7,237**

Sensitivity is analysed based on the Group's net cash position at 31 March 2016, assuming that it remains constant over one year.

In absence of interest rate derivatives, the effects of increases or decreases in market rates are symmetrical: a rise of 0.1% would increase the net interest income by €2 million while a fall of 0.1% would decrease it by €2 million.

27.4. Credit risk management

Credit risk is the risk that counterparty will not meet its payment 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 on its financing activities, including deposits, foreign currency hedging instruments and other financial instruments with banks and financial institutions.

Risk related to customers

The Group believes that the risk of a counterpart failing to perform as contracted, which could have a significant impact on the Group's financial statements or results of operations, is limited because the Group seeks to ensure that customers generally have strong credit profiles or adequate financing to meet their project obligations (see also Note 17).

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

Risk related to other financial assets

The Group's exposure to credit risk related to other financial assets, especially derivatives, arises from default of the counterpart, with a maximum exposure equal to the carrying amount of those instruments. The financial instruments are taken out with over 30 different counterparties and the risk is therefore highly diluted, the largest exposure with one single counterparty (rated Aa2) being limited to €13 million.

Risk related to cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by Group treasury in accordance with the Group's policy. Following the General Electric transaction on 2 November 2015, the Group diversified its asset management policy in order to limit its counterparty risk. In addition to short term deposits with tier-one banks, the Group invested in euro money market funds qualified as "monetary" or "monetary short term" under the AMF classification. Cash investments are reviewed on a regular basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7 and the AMF's recommendations.

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

The Group's policy is to centralise liquidity of subsidiaries at the parent company's level when possible. Cash available in subsidiaries located in countries with local constraints delaying or restricting the Group's access to this cash was €191 million at 31 March 2016 and €155 million at 31 March 2015 (for continuing activities).

27.5. Liquidity risk management

Financial covenants

In addition to its available cash and cash equivalents, amounting to €1,961 million as of 31 March 2016, the Group can access a five years new €400 million revolving credit facility, with two possible one-year extensions, which is fully undrawn as of March 2016.

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

Covenants	Maximum total net debt leverage
	(a)
	2.5

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

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

	For the year ended 31 March 2016	For the year ended 31 March 2015 (*)
EBITDA (excluding capital gain on disposal)	358	107
Total net debt	216	2,850
TOTAL NET DEBT LEVERAGE	**0.6**	**26.6**

(*) Total for both continuing and discontinued activities for March 2015.

Future Cash Flow

The Group's objective is to maintain a strong liquidity, commensurate with the changes in working capital triggered by its long term activity. A revolving cash planning tool is used to monitor the Group's liquidity needs.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2016 and 31 March 2015.

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 2016

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

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

Cash flow arising from operating derivatives at 31 March 2016

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

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

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

Financial instruments held at 31 March 2015

Cash flow arising from instruments included in net cash/(debt) at 31 March 2015

Cash flow for the years ended 31 March (in € million)	Carrying amount	2016		2017		2018-2020		2021 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	383	25	37	23	42	10	287	-	17
Marketable securities and other current financial assets	61	-	61	-	-	-	-	-	-
Cash and cash equivalents	1,599	1	1,599	-	-	-	-	-	-
Assets	**2,043**	**26**	**1,697**	**23**	**42**	**10**	**287**	**-**	**17**
Non-current borrowings	(2,847)	(134)	-	(103)	(750)	(71)	(2,100)	-	3
Non-current obligations under finance leases	(341)	-	-	(25)	(49)	(13)	(288)	-	(4)
Current borrowings	(1,947)	-	(1,947)	-	-	-	-	-	-
Current obligations under finance leases	(51)	(29)	(51)	-	-	-	-	-	-
Liabilities	**(5,186)**	**(163)**	**(1,998)**	**(128)**	**(799)**	**(84)**	**(2,388)**	**-**	**(1)**
NET CASH/(DEBT)	**(3,143)**	**(137)**	**(301)**	**(105)**	**(757)**	**(74)**	**(2,101)**	**-**	**16**

Cash flow arising from operating derivatives at 31 March 2015

Cash flow for the years ended 31 March (*in € million*)	Carrying amount	2016 Interests	2016 Repayment	2017 Interests	2017 Repayment	2018-2020 Interests	2018-2020 Repayment	2021 and thereafter Interests	2021 and thereafter Repayment
Other current operating assets	782	-	481	-	126	-	150	-	25
Assets	**782**	**-**	**481**	**-**	**126**	**-**	**150**	**-**	**25**
Other current operating liabilities	(1,360)	-	(679)	-	(301)	-	(344)	-	(36)
Liabilities	**(1,360)**	**-**	**(679)**	**-**	**(301)**	**-**	**(344)**	**-**	**(36)**
DERIVATIVES	**(578)**	**-**	**(198)**	**-**	**(175)**	**-**	**(194)**	**-**	**(11)**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2015

Cash flow for the years ended 31 March (*in € million*)	Carrying amount	2016 Interests	2016 Repayment	2017 Interests	2017 Repayment	2018-2020 Interests	2018-2020 Repayment	2021 and thereafter Interests	2021 and thereafter Repayment
Non consolidated investments	36	-	-	-	-	-	-	-	36
Other non-current assets	82	-	28	-	1	-	6	-	47
Trade receivables	1,470	-	1,470	-	-	-	-	-	-
Other current operating assets	635	-	635	-	-	-	-	-	-
Assets	**2,223**	**-**	**2,133**	**-**	**1**	**-**	**6**	**-**	**83**
Trade payables	(917)	-	(917)	-	-	-	-	-	-
Other current operating liabilities	(558)	-	(558)	-	-	-	-	-	-
Liabilities	**(1,475)**	**-**	**(1,475)**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER FINANCIAL ASSETS AND LIABILITIES	**748**	**-**	**658**	**-**	**1**	**-**	**6**	**-**	**83**

27.6. 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 28 • OTHER CURRENT OPERATING LIABILITIES

(*in € million*)	At 31 March 2016	At 31 March 2015
Staff and associated liabilities	429	419
Corporate income tax	26	32
Other taxes	66	105
Deferred income	8	11
Other payables	490	389
Derivatives relating to operating activities	290	1,360
Remeasurement of hedged firm commitments in foreign currency	172	176
OTHER CURRENT OPERATING LIABILITIES	**1,481**	**2,492**

As a reminder, at the end of March 2015, foreign exchange derivatives negotiated by Alstom Holding (this entity not being classified as held for sale) included those dedicated to hedge foreign currency exposures of the Energy activities. Therefore the derivatives relating to Energy activities were not classified as held for sale while remeasurement of hedged firm commitments in foreign currency related to Energy activities were classified as held for sale. As at 31 March 2016, only derivatives related to Transport activities are reported in the balance sheet.

NOTE 29 • EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

Total employee benefit/(expense) and headcount relate to continuing activities. Therefore, fiscal year 2015 figures have been represented accordingly.

	Year ended	
(in € million)	31 March 2016	31 March 2015
Wages and salaries	1,320	1,237
Social charges	389	379
Post-employment and other long-term benefit expense (see Note 25.7)	134	139
Share-based payment expense (see Note 23)	2	6
TOTAL EMPLOYEE BENEFIT EXPENSE	**1,845**	**1,761**

	At 31 March 2016	At 31 March 2015
Staff of consolidated companies at year end		
Managers, engineers and professionals	14,426	12,569
Other employees	16,544	15,538
HEADCOUNT	**30,970**	**28,107**

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.

To issue these bonds, the Group relies on both uncommitted bilateral lines in numerous countries and a €3.5 billion Committed Bilateral Bonding Facility Agreement ("CBBGFA") with five tier one banks allowing issuance until 1 November 2018 of bonds with tenors up to seven years.

As at 31 March 2016, the total outstanding bonding guarantees related to contracts from continuing operations, issued by banks or insurance companies, amounted to €7.6 billion (€7.0 billion at 31 March 2015).

The available amount under the Committed Bilateral Bonding Guarantee Facility Agreement at 31 March 2016 amounts to €1.1 billion (€2.0 billion at 31 March 2015). The Committed Bilateral Bonding Guarantee Facility Agreement includes a financial covenant (leverage ratio) based on consolidated figures of the Group and consistent with the financial covenant of the revolving credit facility.

The key Group indicators used to calculate the financial covenants are detailed in Note 27.5.

Alstom off balance sheet obligations were impacted by the General Electric transaction, as detailed in Note 3.1.2.

Vendor financing

Until 2003, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of Transport equipment.

Until 29 September 2015, guarantees given as part of past vendor financing arrangements concern guarantees given as part of a leasing scheme involving London Underground Limited (Northern Line). Once the notice was served by the customer to exercise its unilateral right to extend the contract, the off balance sheet representing the value Alstom would have to pay to banks, if secondary period was not confirmed, extinguished at 29 September 2015.

30.2. Disputes

As a preliminary remark, it shall be noted that, by taking over Alstom's Energy Businesses, General Electric undertook to assume all risks and liabilities exclusively or predominantly associated with said businesses and in a symmetrical way, Alstom undertook to keep all risks and liabilities associated with the non-transferred business. Cross-indemnification for a duration of 30 years and asset reallocation ("wrong pocket") mechanisms have been established to ensure that, on the one hand, assets and liabilities associated with the Energy businesses being sold are indeed transferred to General Electric and on the other hand, assets and liabilities not associated with such businesses are borne by Alstom. As a result, the consequences of litigation matters that were on-going at the time of the sale and associated with these activities are taken over by General Electric. Indemnity provisions protect Alstom in case of third party claims directed at Alstom and relating to the transferred activities. For this reason and since Alstom no longer manages these litigation matters, Alstom is ceasing to include them in this section. This applies in particular to the following previously reported cases:

- GIS equipment;
- power transformers;
- lignite-fired station in Maritza.

Disputes in the Group's ordinary course of business

The Group is engaged in several legal proceedings, mostly contract-related disputes that have arisen in the ordinary course of business. These disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large long-term projects. In some cases, the amounts, which may be significant, are claimed against the Group, sometimes jointly with its consortium partners.

In some proceedings the amount claimed is not specified at the beginning of the proceedings. Amounts retained in respect of these litigations are taken into account in the estimate of margin at completion in case of contracts in progress or included in provisions and other current liabilities in case of completed contracts when considered as reliable estimates of probable liabilities. Actual costs incurred may exceed the amount of initial estimates because of a number of factors including the inherent uncertainties of the outcome of litigation.

Other disputes

Asbestos

Some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos in France essentially and in Italy and the United Kingdom. In France, these proceedings are initiated by certain employees or former employees suffering from an occupational disease in relation to asbestos with the aim of obtaining a court decision allowing them to obtain a supplementary compensation from the French Social Security funds. In addition employees and former employees of the Group not suffering from an asbestos related occupational disease have started lawsuits before the French courts with the aim of obtaining compensation for damages in relation to their alleged exposure to asbestos, including the specific anxiety damage.

The Group believes that the cases where it may be required to bear the financial consequences of such proceedings do not represent a material exposure. While the outcome of the existing asbestos-related cases cannot be predicted with reasonable certainty, the Group believes that these cases would not have any material adverse effect on its financial condition.

Alleged anti-competitive activities

Transportation activities in Brazil

In July 2013, the Brazilian Competition Authority ("CADE") raided a number of companies involved in transportation activities in Brazil, including the subsidiary of Alstom, following allegations of anti-competitive practices and illegal payments. After a preliminary investigation stage, CADE notified in March 2014 the opening of an administrative procedure against several companies, of which the Alstom's subsidiary in Brazil, and certain current and former employees of the Group. Alstom is cooperating with CADE. In case of proven anti-competitive practices, possible sanctions include fines, criminal charges and a temporary exclusion from public contracts. Civil damages are also possible. Following the opening phase, this procedure is currently in the phase of production of evidence. The hearing phase took place from January to March 2016, with the deposition of current and former employees of the Group as well as the questioning of witnesses. CADE is actively asserting its positions in these proceedings and the final report setting forth its conclusions on the procedure is therefore expected to be presented by the end of 2016. It remains difficult to assess with precision the outcome of this procedure. Current and former employees of Alstom are also subject to criminal proceedings initiated by the public prosecutor of the state of Sao Paulo in connection with some of the Transport projects subject to CADE procedure.

In December 2014, the public prosecutor of the state of Sao Paulo also initiated a lawsuit against Alstom's subsidiary in Brazil, along with a number of other companies, related to alleged anti-competitive practices regarding a train maintenance project, which is also subject to administrative proceedings since 2013.

Alleged illegal payments

Certain companies and/or current and former employees of the Group are currently being investigated and/or subject to procedures, by judicial or administrative authorities (including in Brazil, in the United Kingdom and in France) or international financial institutions with respect to alleged illegal payments in certain countries.

With respect to these above mentioned matters, the Group is cooperating with the concerned authorities or institutions. These investigations or procedures may result in criminal sanctions, including fines which may be significant, exclusion of Group subsidiaries from tenders and third-party actions.

In Brazil, assets of two Group's subsidiaries and shares of these entities held by the Group were frozen following a preliminary decision ordered in February 2015 for an amount of 287 million of Brazilian Real (approximately €70 million) in relation to an ongoing procedure related to an energy project originated in the 1990s. The parties have since then agreed on a settlement of this matter and, given that these two Group's subsidiaries are to be transferred to General Electric upon the release of the shares freeze, Alstom will no longer be reporting on this case once the transfer becomes effective.

The Prosecutor of the State of Sao Paulo launched in May 2014 an action against a Group's subsidiary in Brazil, along with a number of other companies, for a total amount of approximately €600 million excluding possible damages in connection with a transportation project. The Group's subsidiaries are actively defending themselves.

Alstom has concluded on 22 December 2014 an agreement with the US Department of Justice (DOJ) in order to put an end to the investigation conducted in the United States from 2010 on subsidiaries of the Group relating to alleged potential violations of the Foreign Corrupt Practices Act (FCPA). Two former US subsidiaries, Alstom Power Inc. and Alstom Grid Inc. (formerly known as Alstom T&D Inc.), have agreed to enter into deferred prosecution agreements with the DOJ relating to FCPA charges. Given that these former US subsidiaries are now held by General Electric, the management of their deferred prosecution agreements is handled by General Electric. Another Alstom subsidiary, Alstom Network Schweiz AG (formerly known as Alstom Prom AG), has agreed to plead guilty to FCPA antibribery charges. In relation to these underlying charges, the ultimate parent company of the Group, Alstom S.A. has agreed to plead guilty to violating the books and records and internal controls provisions of the FCPA and to pay a fine of approximately 772 million of US Dollar. The DOJ agreement has also stipulated that no part of the fine can be passed on to General Electric as part of the sale of Alstom's Energy businesses. This agreement was approved by the competent American court during a hearing held on 13 November 2015 and the payment of the fine stipulated in the agreement was effected on 23 November 2015. Subsequent to the validation of the agreement, Alstom has submitted to the DOJ the first annual report on its integrity program pursuant to the applicable three-year reporting period.

In the United Kingdom, the Serious Fraud Office (SFO) began investigations in 2010. The SFO opened during fiscal year 2014/15 three criminal prosecutions against entities of the Group and certain current and past employees of the Group in connection with transportation projects located in Poland, Tunisia, India and Hungary, and with an energy project located in Lithuania. In March 2016, the SFO announced that it was pressing charges against a seventh individual in its investigation. The trial phase for the transportation projects is expected to begin in June 2016. It remains difficult to assess with precision the outcome of these procedures. It shall be noted that the proceedings related to the energy project in Lithuania involve a company transferred to General Electric and, in view of the sale of Alstom's Energy activities to General Electric referred to in the preliminary remark, the risks associated with this Lithuanian case as well as its management have been transferred to General Electric.

The World Bank and Alstom entered into a negotiated resolution agreement on 21 February 2012. As part of this 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 which ended on 21 February 2015. The World Bank determined that Alstom has implemented a corporate compliance program in line with the World Bank's integrity compliance policies and practices and has satisfied all of the other conditions of the February 2012 negotiated resolution agreement.

Budapest metro

In 2006, Alstom was awarded by BKV a contract for the delivery of metros for two lines in the city of Budapest. During the execution of the project, Alstom experienced delays mostly related to technical change requests from BKV and the refusal by the Hungarian Authority "NKH" to deliver the final train homologation in 2010 (in August 2007, NKH granted a Preliminary Type License). On 19 October 2010 BKV terminated the contract and called the bank guarantees. In July 2011 the parties agreed the re-entry into force of the contract and the suspension of the arbitration procedure initiated by Alstom in January 2011. The final train homologation was obtained in July 2012. The arbitration proceedings resumed on 17 December 2012 and are at the phase of assessments of damages claimed by the parties and expertise.

CR-1 Marmaray railway infrastructure – Turkey

In March 2007, the Turkish Ministry of Transport (DLH) awarded the contract to upgrade approximately 75 km of railway infrastructure in the Istanbul region, known as the "Marmaray Commuter Rail Project (CR-1)" to the consortium Alstom Dogus Marubeni (AMD), of which Alstom Transport's main French subsidiary is a member. This project, which included works on the transcontinental railway tunnel under the Bosphorus, has undergone significant delays mainly due to difficulties for the DLH to make the construction site available. Thus, the AMD consortium terminated the contract in 2010. This termination was challenged by DLH, who thereafter called the bank guarantees issued by the consortium up to an amount of approximately €80 million. Following injunctions, the payment of such bank guarantees was forbidden and the AMD consortium immediately initiated an arbitration procedure to resolve the substantive issues. The arbitral tribunal has decided in December 2014 that the contract stands as terminated by virtue of Turkish law and has authorised the parties to submit their claims for compensation of the damages arising from such termination. As a result, the arbitration procedure is now in the phase of assessment of damages and the parties are processing documents production matters. In parallel, DLH has made renewed attempts to obtain payment of the bank guarantees but defence proceedings by the AMD consortium have enabled so far to reject these payment requests.

Also, through arbitration request notified on 29 September 2015, Marubeni Corporation launched proceedings against Alstom Transport SA taken as consortium leader in order to be compensated for the consequences of the termination of the contract with AMD. In a similar fashion, through arbitration request issued on 15 March 2016, the other consortium member Dogus launched proceedings against Alstom Transport SA with similar demands and a request to have the disputes between consortium members consolidated in a single case. Alstom Transport SA is rejecting these compensation requests and is defending itself in the proceedings.

Signalling works in the São Paulo metro – Brazil

In July 2008, the São Paulo metro company (CMSP) awarded to Alstom Transport's subsidiary in Brazil a contract for the installation of signalling systems on lines 1, 2 and 3 of the São Paulo metro. The completion of the project suffered from significant delays, the causes of which are disputed by the parties, each party attributing the origin of such delays to the other. As a result of CMSP's application of delay penalties, and its denial of a grant of deadline extensions and financial compensation, Alstom Transport's subsidiary in Brazil brought its claims before an arbitral tribunal. This proceeding had been suspended while the parties were exploring settlement possibilities. A settlement agreement putting an end to the dispute, notably through mutual claims releases, was entered into between the parties on 30 November 2015 and was submitted to the competent arbitral institution for validation. The validation of the settlement agreement by the competent arbitral institution on 27 January 2016 has led to the closure of this case, which therefore will no longer be reported.

Regional Minuetto trains and high-speed Pendolino trains – Italy

Alstom Transport's subsidiary in Italy is involved in two litigation proceedings with the Italian railway company Trenitalia. One is related to a supply contract of regional Minuetto trains awarded in 2001 (the "Minuetto case"), and the other to a supply contract of high-speed Pendolino trains awarded in 2004 (the "Pendolino case"). Each of these contracts has undergone technical issues and delays leading the Trenitalia company to apply delay and technical penalties and, consequently, to withhold payments. Since the parties dispute certain technical matters as well as the causes and responsibilities of the delays, the matter was brought before Italian courts in 2010 and 2011 respectively. In the Minuetto case, the technical expertise report has been released and Alstom is challenging its contents with amendment requests. This challenge is under review by the competent tribunal. In the Pendolino case, the technical expertise report was also released and Alstom has obtained certain corrections following its challenge on some of the conclusions of the report. On this case, the expertise phase is therefore over and the proceedings continue their path on the legal aspects of the dispute.

Intercity trains Poland

On 30 May 2011, PKP Intercity S.A. ("PKP") and Alstom Transport subsidiaries in Poland and Italy entered into a contract for the delivery of trains and maintenance services to PKP. The delivery of the trains with the planned signalling system was not possible due to the lack of necessary railway infrastructure in Poland. Therefore, a dispute has arisen between the parties in connection with damages arising from project delays and PKP initiated arbitration proceedings on 29 April 2015. The arbitration proceedings are in the phase of assessment of damages claimed by the parties.

Northern Line – UK

In 1997, NLSP (a special purpose entity owned 100% by ALSTOM UK Holdings Ltd.) entered into a contract ("Contract") with London Underground Ltd (LUL) for the maintenance of 106 trains and related equipment of Northern Line. The Contract was transferred by LUL to Tube Lines (TLL) in 2002. The current Contract duration is 30 years (1997-2027) and is split in several periods. The Contract is a combination of two contracts covering respectively the leasing of assets and their maintenance.

A dispute has arisen between the parties in connection with the method of calculation of rental payments that are due by TLL for equipment on the Northern Line. As a result, adjudication proceedings were initiated by TLL on 11 May 2015. These adjudication proceedings are a fast-track dispute resolution mechanism where either party can ultimately challenge the adjudicator's decision through judicial appeal proceedings. On 29 October 2015, the adjudicator decided in favour of Alstom. In continuation of this decision, a settlement agreement was concluded between the parties in order to determine the allocation of litigation costs. This agreement led to the closure of the case, which therefore will no longer be reported.

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

		Maturity of base payments		
(in € million)	**Total**	**Within 1 year**	**1 to 5 years**	**Over 5 years**
Long term rental (*)	332	59	273	-
Finance leases	32	10	12	10
Operating leases	245	29	133	83
TOTAL AT 31 MARCH 2016	**609**	**98**	**418**	**93**
Long term rental (*)	423	62	361	-
Finance leases	85	17	52	16
Operating leases	471	96	275	100
TOTAL AT 31 MARCH 2015	**979**	**175**	**688**	**116**

(*) Obligations related to a long-term rental of trains and associated equipment to a London metro operator (see Note 26) including interests to be paid.

Movements related to operating leases between 31 March 2015 and 31 March 2016 mainly arose from the transfer of the former Levallois headquarters to General Electric.

NOTE 32 • INDEPENDENT AUDITORS' FEES

Fees due to Auditors and members of their networks in respect of years ended 31 March 2016 and 31 March 2015 were as follows:

	Year ended 31 March 2016				Year ended 31 March 2015			
	Mazars		PricewaterhouseCoopers		Mazars		PricewaterhouseCoopers	
(in € million)	Amount	%	Amount	%	Amount	%	Amount	%
AUDIT								
Independent Auditors' diligence, certification, review of individual and consolidated accounts	4.8	84%	5.3	86%	7.0	80%	10.3	87%
ALSTOM SA	*0.8*	*14%*	*0.9*	*15%*	*0.7*	*8%*	*1.2*	*10%*
Controlled entities	*4.0*	*70%*	*4.4*	*71%*	*6.3*	*72%*	*9.1*	*77%*
Other audit diligence and audit related services	0.8	14%	0.2	4%	1.7	19%	1.1	9%
ALSTOM SA	*0.3*	*5%*	*0.1*	*2%*	*0.3*	*3%*	*0.7*	*5%*
Controlled entities	*0.5*	*9%*	*0.1*	*2%*	*1.4*	*16%*	*0.4*	*4%*
Sub-total	**5.6**	**98%**	**5.5**	**89%**	**8.7**	**99%**	**11.4**	**96%**
OTHER SERVICES								
Legal, tax and social (*)	0.1	2%	0.7	11%	0.1	1%	0.5	4%
Other	-	-	-	-	-	-	-	5%
Sub-total	**0.1**	**2%**	**0.7**	**11%**	**0.1**	**1%**	**0.5**	**4%**
TOTAL	**5.7**	**100%**	**6.2**	**100%**	**8.8**	**100%**	**11.9**	**100%**

(*) Tax services provided outside of France, assisting the Group subsidiaries to comply with certain local tax requirements.

NOTE 33 • RELATED PARTIES

The Group has identified the following related parties:

- shareholders of the Group;
- associates and joint ventures (including Energy alliances);
- state and publicly owned companies;
- key management personnel.

33.1. Shareholders of the Group

Bouygues, a French company listed on Paris stock market, and the *Agence des Participations de l'État* are the main shareholders of the Group, holding more than 5% of the parent company's share capital.

At 31 March 2016, the *Agence des Participations de l'État* and Bouygues hold respectively 20% and 8% of Alstom's share capital and voting rights.

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.

Moreover, the Group has business relationships with government-owned companies, in particular SNCF, RATP and French Municipalities.

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

Transactions with RATP concern the design and manufacturing of rolling stock for Paris network (regional double deck trains, metros and tramways). They also concern the design, installation and testing of driverless rail signalling solutions and electrification solutions for tramways.

Transactions with French municipalities concern the design and manufacturing of metro and tramways, signalling, energy and infrastructure works.

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

All these transactions are subject to public tenders with strict regulation and competition at normal market terms.

Bouygues and Alstom are also involved in various contracts which are part of the ordinary course of business (*e.g.* phone contracts, construction contracts). These relations are subject to normal market terms and conditions. Those operating flows are not material at Group's level. No significant transactions with the Energy JVs are expected.

(in € million)	Year ended 31 March 2016		At 31 March 2016	
	Income	Expenses	Receivables	Liabilities
Joint ventures	36	-	9	-
Associates	3	-	-	-

33.3. Key management personnel

The Group considers that key management personnel as defined by IAS 24 are the members of the Executive Committee. Due to the General Electric Deal, a managerial transition has been organized between the former Executive Committee of Alstom until the 2 November 2015 and the new Executive Committee. Moreover, Mr Patrick Kron resigned from his duties as Chairman of the Board and Chief Executive Officer of Alstom and has been replaced for such duties by Mr Henri Poupart-Lafarge effective 1 February 2016.

(in € thousand)	Year ended 31 March 2016	Year ended 31 March 2015
Short-term benefits [(1)]	**24,399**	**8,136**
Fixed gross salaries	4,847	4,752
Variable gross salaries	3,002	3,384
Exceptional amounts [(1)]	16,550	-
Post-employment benefits	**1,064**	**3,694**
Post-employment defined benefit plans	915	3,558
Post-employment defined contribution plans	149	136
Other post-employment benefits	-	-
Other benefits	**6,987**	**5,384**
Non monetary benefits	455	209
Employer social contributions	5,459	2,080
Share-based payments [(2)]	1,073	3,095
TOTAL	**32,450**	**17,214**

(1) Exceptional amounts correspond to retention premiums and success fees paid to the former Executive Committee, agreed by and linked to the effective closing of the deal with General Electric and to severance packages. They include the exceptional and conditional remuneration paid to Mr Patrick Kron as per the Board decision on 4 November 2014.

(2) Expense recorded in the income statement in respect of stock option plans and free shares.

Movements between 31 March 2015 and 2016 is mainly consecutive to:

- a change in the Executive Committee composition after the effective sale of Energy activities to General Electric. In particular, the Executive Committee, previously composed of 7 members has moved to 12 members, in addition to the CEO;
- the change of CEO, having been considered as a change of actuarial assumption in the defined benefit valuation.

NOTE 34 • SUBSEQUENT EVENTS

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

NOTE 35 • MAJOR COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The major companies of the Group are listed below. The list of all consolidated companies is available upon the request at the head office of the Group.

Companies	Country	Ownership %	Consolidation method
PARENT COMPANY			
ALSTOM SA	France	-	Parent company
HOLDING COMPANIES			
ALSTOM Investment Company Ltd	China	100%	Full consolidation
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Power Holdings	France	100%	Full consolidation
ALSTOM T20	France	100%	Full consolidation
ALSTOM Transport UK (Holdings) Ltd	Great Britain	100%	Full consolidation
ALSTOM SpA	Italy	100%	Full consolidation
ALSTOM Transport Holdings BV	Netherlands	100%	Full consolidation
ALSTOM Holdings BV	Netherlands	100%	Full consolidation
ALSTOM Southern Africa Holdings	South Africa	100%	Full consolidation
ALSTOM España IB SA Holding	Spain	100%	Full consolidation
ALSTOM Transportation Holding US Inc.	USA	100%	Full consolidation
INDUSTRIAL COMPANIES			
CITAL	Algeria	49%	Equity method
ALSTOM Transport Australia Pty Ltd	Australia	100%	Full consolidation
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Transport Canada	Canada	100%	Full consolidation
CASCO Signalling Ltd	China	49%	Equity method
SHANGHAI ALSTOM Electrical Equipment Ltd	China	60%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Transport Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Transport UK Ltd	Great Britain	100%	Full consolidation
SIGNALLING Solutions Ltd	Great Britain	100%	Full consolidation
ALSTOM NL Service Provision Ltd	Great Britain	100%	Full consolidation
ALSTOM Babcock Costain JV	Great Britain	33%	Equity method
ALSTOM Hong-Kong Ltd	Hong-Kong	100%	Full consolidation
ALSTOM Transport India Ltd	India	100%	Full consolidation
CITADIS Israel Ltd	Israel	100%	Full consolidation
ALSTOM Ferroviaria SpA	Italy	100%	Full consolidation
ALSTOM Transport Mexico, S.A. de C.V.	Mexico	100%	Full consolidation
ALSTOM Transport BV	Netherlands	100%	Full consolidation
The Breakers Investments BV	Netherlands	33%	Equity method
ALSTOM Transport SA Romania	Romania	93%	Full consolidation
ALSTOM Transport (S) Pte Ltd	Singapore	100%	Full consolidation
GIBELA Rail Transport Consortium (PTY) Ltd	South Africa	61%	Full consolidation
ALSTOM Transporte, SA	Spain	100%	Full consolidation
ALSTOM Transport AB	Sweden	100%	Full consolidation
ALSTOM Transportation Inc.	USA	100%	Full consolidation
ALSTOM Signalling Inc.	USA	100%	Full consolidation
ALSTOM Signalling Operation, LLC	USA	100%	Full consolidation

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended 31 March 2016)

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

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

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

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2016, 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 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the following matters:

- Note 1.1 "Alstom strategic move", Note 3 "Major changes in scope of consolidation" and Note 12 "Investments in Joint Ventures and Associates" which set out the accounting treatment and impacts of the transaction with General Electric including the sale of the Group's Energy activities, the acquisition of General Electric's Signalling business and the investments in the alliances with General Electric; and
- Note 30.2 "Disputes" which describes ongoing investigations by judicial authorities with respect to alleged illegal payments in certain countries.

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. Completion of the transaction with General Electric and subsequent share buy-back

Note 3.1.1. "Capital gain on the sale of Energy" to the consolidated financial statements sets out the calculation principles of the capital gain on the sale of Energy entities to General Electric and Note 3.1.2 "financial statements of discontinued operations" sets out the accounting treatment of assets held for sale and discontinued operations in accordance with IFRS 5.

Note 1.1 "Alstom strategic move" to the consolidated financial statements sets out the principles applied for the accounting of the impacts relating to the acquisition of General Electric's Signalling business, the principles used for the accounting of the investments in the alliances with General Electric and the principles used for the accounting of the share buy-back.

We have verified that the principles applied are appropriate and that they have been adequately applied. Furthermore, we have verified that Note 1.1 "Alstom strategic move", Note 3 "Major changes in scope of consolidation" and Note 12 "Investments in Joint Ventures and Associates" to the consolidated financial statements give the appropriate information.

2. Construction contracts

As described in Notes 2.2, 2.3.6, 2.3.17, 24 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 "Current provisions". We have examined the processes applied by Alstom and considered the data and assumptions on which the estimates are based.

3. Goodwill, tangible and intangible assets

Alstom performed an impairment test on goodwill at year-end and also assessed whether there was any indication of impairment of tangible and intangible assets, in accordance with the approach described in Note 2.3.12 to the consolidated financial statements.

As regards Goodwill, we have assessed the impairment test performed and verified that Note 10.1 to the consolidated financial statements gives the appropriate information.

As regards tangible and intangible assets, we have examined the data and assumptions on which the analyses have been performed, we have reviewed the calculations of the impairments recognized and we have verified that Notes 6, 10.2 and 11 to the consolidated financial statements give the appropriate information.

4. 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.

5. Deferred tax assets

As described in Notes 2.2 and 2.3.16 to the consolidated financial statements and related to taxation, Alstom reviews the carrying amounts of deferred tax assets at each balance sheet date. We have examined the data and assumptions on which this analysis has been performed, reviewed the calculations and verified that Notes 2.2, 2.3.16 and 8 to the consolidated financial statements give the appropriate information.

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

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

III. Specific verification

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

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

Neuilly-sur-Seine and Paris La Défense, 11 May 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Édouard Demarcq	Cédric Haaser

STATUTORY FINANCIAL STATEMENTS

as at 31 March 2016

INCOME STATEMENT

		Year ended	
(in € million)	Note	31 March 2016	31 March 2015
Management fees and other operating income		99	135
Administrative costs and other operating expenses		(85)	(76)
Depreciation and amortisation expense		1	(1)
Operating income	**4**	**15**	**58**
Interest income		139	171
Interest expenses		(142)	(172)
Provisions		(300)	-
Bonds issuance costs and premiums recognised as income or expense		(9)	(7)
Change differences		19	-
Financial income	**5**	**(292)**	**(8)**
Current income		**(276)**	**50**
Non recurring result	**6**	**(91)**	**(686)**
Income tax credit	7	100	39
NET PROFIT		**(268)**	**(597)**
Total Income		*1,107*	*443*
Total Expenses		*(1,375)*	*(1,041)*

BALANCE SHEET

Assets

(in € million)	Note	At 31 March 2016	At 31 March 2015
FIXED ASSETS			
Intangible assets		-	2
Investments	8	8,016	8,316
Advances to subsidiary	8	303	6,943
Total fixed assets		**8,319**	**15,261**
CURRENT ASSETS			
Receivables	9	163	171
Cash		-	1
Deferred charges	10	6	15
Total current assets		**170**	**187**
TOTAL ASSETS		**8,489**	**15,448**

Liabilities

(in € million)	Note	At 31 March 2016	At 31 March 2015
SHAREHOLDERS' EQUITY			
Share capital		1,534	2,169
Additional paid-in capital		884	879
Legal reserve		210	210
Restricted reserve		21	9
General reserve		4,093	7,267
Retained earnings		-	-
Net profit		(268)	(597)
Total shareholders' equity	**11**	**6,473**	**9,937**
PROVISIONS FOR RISKS AND CHARGES	12	8	736
LIABILITIES			
Bonds	14	1,995	3,888
Other borrowings	15	0	741
Trade payables	16, 17	9	7
Other payables	16, 17	4	139
Deferred income		-	0
Total liabilities		**2,008**	**4,775**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8,489**	**15,448**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE STATUTORY FINANCIAL STATEMENTS

NOTE 1 • BASIS OF PREPARATION OF THE STATUTORY FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 March 2016 are established in compliance with the legal and regulatory rules applicable in France according the regulation 2014-03 of the *"Autorité des normes comptables"* of 5 June 2014 as well as subsequent comments and recommendations of the *"Autorité des normes comptables"*.

These accounts have been prepared using the same accounting policies and measurement methods as at 31 March 2015.

NOTE 2 • DESCRIPTION OF ACCOUNTING POLICIES

2.1. Investments

Investments are recorded at acquisition cost, excluding transaction costs.

Investments are measured based on a multi-criteria approach:

- Investments are generally measured at their value in use, defined as the enterprise value net of the indebtedness. The enterprise value is the sum of the discounted cash flows and of the discounted terminal residual value, and represents the ability of the assets to generate profits and cash flows.
- When values in relation with current or considered transactions or any other fair market values exist, these values are also considered in the year-end measurement of the investments.

When this value is less than acquisition cost, a provision for impairment is recorded to cover the difference.

2.2. Share capital

A share capital increase is recorded at the nominal share price. If the issue price is higher than the nominal value, this difference is recorded as a paid-in capital.

Transaction costs on capital increase are offset against paid-in capital. If total transaction costs exceed the paid-in capital, the excess is recorded as intangible assets and amortised over a period of five years.

2.3. Provisions for risks and charges

Provisions for litigations and disputes

The Company identifies and analyses on a regular basis current litigations in which it is engaged. When provisions are deemed necessary, they are measured on the basis of its best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates take into account information available and different possible outcomes.

Due to changes in facts and circumstances, costs finally incurred may differ from those estimates.

Provision for the conditional remuneration

By decision of the Board on 28 January 2016, Mr Patrick Kron has resigned as CEO, Mr Henri Poupart-Lafarge was appointed CEO on 1 February 2016.

Mr Patrick Kron benefited from a long-term conditional compensation plan linked to the achievement of certain Company performances, over several years.

The Board of Directors also decided to grant an exceptional and conditional compensation within the meaning of the Article 23.2.3, 9th paragraph of the AFEP-MEDEF Code, to the CEO in function until 31 January 2016.

The payment of such compensation was subject to the approval of the transaction with General Electric which occurred on 2 November 2015 and to the effective presence of the CEO at the head of the Company at the date of payment.

The Company recorded the charge and the payment of this exceptional compensation in its accounts.

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.

2.5. Tax group

The Company is the parent company of a French tax group including ALSTOM Holdings and several French subsidiaries of ALSTOM Holdings.

Each company, member of the tax group, determines its income tax charge on the basis of its own pre-tax income for the year, as if it was not included in a tax group. The Company recognises a gain or a loss equal to the difference between the current income tax based on the Group pre-tax income and the sum of tax charges recognised by the entities members of the tax group.

When a subsidiary member of the tax group exits from the said tax group, it is not compensated for the loss of its tax credits, tax losses carried forward and/or long term losses derived during the period of time it belonged to the tax group and which are unused at the exit date.

NOTE 3 • SIGNIFICANT EVENTS

3.1. Alstom strategic move

Effective 2 November 2015, Alstom and General Electric have completed the transaction presented hereafter.

3.1.1. Finalization of the transaction between Alstom and General Electric

On 26 April 2014, the Board of Directors of Alstom received from General Electric an offer, updated on 20 June 2014, to acquire its Energy activities. The global transaction includes the following:

- the acquisition by General Electric of Thermal Power, Renewable Power and Grid activities as well as central and shared services;
- the creation of three alliances with General Electric;
- the acquisition by Alstom of most of General Electric's Signalling business.

The disposal of Energy activities to General Electric simultaneously to the investment by Alstom in three Joint alliances (Grid, Renewables and Global Nuclear & French Steam) and the acquisition of General Electric's Signalling Business lead to a net cash received of €9.0 billion including the reimbursement of the net cash out of Power and Grid entities from 1 April 2014 to 2 November 2015.

Acquisition by General Electric of the Thermal Power, Renewable Power and Grid activities

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

In few countries, authorizations from regulatory bodies or from partners are still pending (mainly in Russia).

Investment in three alliances

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

- the Grid alliance consisting of a combination of Alstom Grid and General Electric Digital Energy businesses (Alstom holds a 50% – one stake in each Joint venture's share capital and voting rights);
- the Renewables alliance consisting of Alstom's hydro, offshore wind and tidal businesses; (Alstom holds a 50% – one stake in each Joint venture's share capital and voting rights);
- the scope of the Global Nuclear & French Steam alliance includes the production and servicing of the "Arabelle" steam turbine equipment for nuclear power plants worldwide, as well as Alstom's steam turbine equipment and servicing for applications in France. Alstom holds 20% – one share of the share capital into the joint venture company and has 50% – two votes of voting rights. The French State holds a preferred share providing veto and other governance rights over issues relating, inter alia, to security and nuclear plant technology in France.

The investment by Alstom in these alliances amounts to €2.4 billion.

Acquisition by Alstom of General Electric's signalling business

The agreements entered into with General Electric provide for the acquisition by Alstom of General Electric's Signalling Business (GE Signalling) in the rail sector.

The acquisition by Alstom of the GE Signalling business strengthens Alstom's position in both North America and the freight market.

The acquisition of GE Signalling has been agreed at a price of $0.7 billion (on a cash free/debt free basis), with an adjustment based on the actual level of working capital and net debt on the date of completion of the acquisition compared to a target level.

3.1.2. Public share buy-back offer

Following the closing of this global transaction with General Electric a public share buy-back offer of €3.2 billion was submitted to shareholders' approval in a Shareholders' Meeting on 18 December 2015. This Offer was running from 23 December 2015 to 20 January 2016. On 26 January 2016, the French Regulator AMF published the results of the Offer.

Based on these results, the Board of Director decided on the 28 January 2016 to set the total number of repurchased shares to 91,500,000 shares (at a price of €35 per share). The Board decided also to cancel the 91,500,000 shares so repurchased and set the amount of the capital reduction to €640,500,000 (nominal value €7 per share). The Board acknowledged also that the difference between the nominal value and the repurchase price of the cancelled securities was representing a premium of €28 per share and decided to deduct such premium from "retained earnings" caption.

3.2. Agreement between Alstom and the US Department of Justice

Alstom has concluded on 22 December 2014 an agreement with the U.S. Department of Justice (DOJ) in order to put an end to the investigation conducted in the United States from 2010 on subsidiaries of the Group relating to alleged potential violations of the Foreign Corrupt Practices Act (FCPA).

Two US subsidiaries, Alstom Power Inc. and Alstom Grid Inc. (formerly known as Alstom T&D Inc.), have agreed to enter into deferred prosecution agreements with the DOJ relating to FCPA charges. If these two US subsidiaries fulfil the terms of their deferred prosecution agreements, all criminal charges will be dismissed against them at the end of three years. Another Alstom subsidiary, Alstom Network Schweiz AG (formerly known as Alstom Prom AG), has agreed to plead guilty to FCPA antibribery charges. In relation to these underlying charges, the ultimate parent company of the Group, ALSTOM has agreed to plead guilty to violating the books and records and internal controls provisions of the FCPA and to pay a fine of approximately $772 million.

The DOJ agreement has also stipulated that no part of the fine can be passed on to GE as part of the sale of Alstom's energy businesses.

The payment of the fine occurred in November 2015, for an amount of €726 million.

NOTE 4 • OPERATING INCOME

At the financial year ended 31 March 2016, operating income is essentially made of €93 million management fees invoiced to the Group's Companies for the use of the ALSTOM name.

Administrative costs and other operating expenses include management fees invoiced by ALSTOM Holdings, external operating expenses, the compensation paid to the Chairman and Chief Executive Officer (€3,374,462 paid for the financial year ended 31 March 2016) and Directors' fees due for the fiscal year (€913,417 for the same financial year ended).

Expenses related to the public share buy-back offer (see Note 3.1.2), amounted to €16 million.

NOTE 5 • FINANCIAL INCOME

(in € million)	Year ended at 31 March 2016	Year ended at 31 March 2015
Net interest income on advances made to ALSTOM Holdings	134	168
Interest expenses on bonds	(127)	(156)
Interest expenses on borrowings	(9)	(13)
Provision	(300)	-
Bonds issuance costs and premiums recognised as income or expense	(9)	(7)
• *Amortisation expense on deferred charges*	*(9)*	*(8)*
• *Amortisation income on premium received*	*-*	*1*
Change differences	19	0
TOTAL	**(292)**	**(8)**

At 31 March 2016, the Company has performed an impairment test of its investments in ALSTOM Holdings based on a multi-criteria approach (see Note 2.1 and Note 8.1), backed up by market values.

As a result of the test, an additional provision for impairment of €300 million was recorded as at 31 March 2016.

The net interest charge of the year amounts to €3 million.

The variation of net interest expenses is explained by:

- the repayment of bonds decreasing interest expenses on bonds (see Note 14);
- commercial papers issued or credit lines used within the last two financial years increasing interest expenses on borrowings (see Note 15).

The payment of the fine of $772 million in November 2015, following the agreement reached with the U.S. Department of Justice (DOJ) (Note 3.2), was subject to a euro against dollar partial hedging. The Company terminated the hedge deals and realized a financial result of €19 million.

NOTE 6 • NON-RECURRING RESULT

	Year ended at 31 March 2016			Year ended at 31 March 2015
(in € million)	Non-recurring income	Non-recurring expense	Net amount	Net amount
Disposals of fixed assets	0	(2)	(2)	-
Addition or release of provisions	728	(7)	722	(656)
Other	5	(817)	(811)	(30)
TOTAL	**734**	**(825)**	**(91)**	**(686)**

Non-recurring costs mainly relate to:

- the conclusion of the agreement with U.S. Department of Justice (DOJ) in order to put an end to the investigation conducted in the United States relating to alleged potential violations of the Foreign Corrupt Practices Act (FCPA). ALSTOM has agreed to plead guilty to violating the books and records and internal controls provisions of the FCPA and to pay a fine of approximately $772 million (see Note 12.2). The expense related to this fine is €726 million (see Note 12.2). The provision allocated in the previous financial year was reversed for an amount of €719 million;
- a charge arising from the difference between the nominal value and the market value of bonds reimbursed partially, and in advance, for €64 million;
- an indemnification expense of €20 million as part of the global transaction with General Electric corresponding to tax credits of 2014/15 financial year to the "Energy" companies;
- the exceptional compensation of Mr Patrick Kron, subject to the closing of the transaction with General Electric, for €5.4 million.

NOTE 7 • INCOME TAX

The €100 million income tax credit is mainly linked to the tax grouping and includes €47 million of tax credit arising from Energy companies, non-reimbursable according to the Group tax consolidation exiting agreement.

In the absence of tax grouping, no income tax charge would have been recorded at 31 March 2016, the Company being loss-making taxwise.

The deferred tax position of the Company at 31 March 2016, amounting to €1,189 million, is mainly composed of tax losses carried forward.

NOTE 8 • FINANCIAL ASSETS

8.1. Investments

(in € million)	At 31 March 2015	Provision	Release	At 31 March 2016
Investments				
• ALSTOM Holdings	9,216	-	-	9,216
• Impairment	(900)	(300)	-	(1,200)
TOTAL	**8,316**	**(300)**	**-**	**8,016**

ALSTOM Holdings is the Company's sole subsidiary and owns all operating entities of the Alstom group.

At 31 March 2016, the Company has performed an impairment test of its investments in ALSTOM Holdings based on a multi-criteria approach (see Note 2.1) backed up by market values. As a result of the test, an additional provision for impairment was recorded for €300 million as at 31 March 2016.

8.2. Advances

(in € million)	At 31 March 2015	Variation	At 31 March 2016
Advances to ALSTOM Holdings			
• Gross value	6,902	(6,599)	303
• Accrued interests	41	(41)	-
TOTAL	**6,943**	**(6,640)**	**303**

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

NOTE 9 • RECEIVABLES

Current receivables can be broken down as follows:

	At 31 March 2016				At 31 March 2015	
(in € million)	Total	Within one year	One to five years	Out of which related parties	Total	Out of which related parties
Trade receivables	1	1	-	-	17	17
«Research tax credit and others» receivable from the French tax administration	118	14	104	-	145	-
Receivables on Group companies included in the tax group	15	15	-	15	-	-
Other receivables	29	29	-	29	9	8
TOTAL	**163**	**59**	**104**	**44**	**171**	**25**

NOTE 10 • DEFERRED CHARGES

(in € million)	At 31 March 2015	Amount capitalised during the period	Amortisation expense of the period	At 31 March 2016
Bonds issuance costs and premiums	15	2	(9)	6

Deferred charges mainly decreased due to bonds reimbursed.

NOTE 11 • SHAREHOLDERS' EQUITY

11.1. Share capital

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

The variations of share capital during the period are the following:

	Number of shares	Par value *(in €)*
Existing shares at beginning of year	**309,792,497**	**7**
Capital increase	-	7
Reimbursement of bonds	43	7
Exercise of options	427,337	7
Subscription of shares under employee sharing program	407,167	7
Shares buy back	(91,500,000)	7
EXISTING SHARES AT YEAR END	**219,127,044**	**7**

At 31 March 2015, ALSTOM's share capital amounted to €2,168,547,479 consisting of 309,792,497 ordinary shares with a par value of €7 and fully paid.

11.2. Changes in shareholders' equity

(in € million)	At 31 March 2015	Shareholders' Meeting held 30 June 2015	Board meeting held 28 January 2016	Other movements	At 31 March 2016
Capital	2,169	-	(641)	6	1,534
Additional paid-in capital	879	-	-	5	884
Legal reserve	210	-	-	-	210
Restricted reserve	9	-	-	12	21
General reserve	7,267	(597)	(2,562)	(15)	4,093
Retained earnings	-	-	-	-	-
Net profit	(597)	597	-	(268)	(268)
TOTAL	**9,937**	**-**	**(3,203)**	**(260)**	**6,473**

"Other movements" for the period arise from:

- €8 million cash contribution, resulting from the exercise of options;
- subscriptions of shares under employee sharing programme;
- conversion of convertible bonds;
- the €(268) million net loss of the period.

NOTE 12 • PROVISIONS FOR RISKS AND CHARGES

(in € million)	At 31 March 2015	Additions	Releases	At 31 March 2016
Litigations, disputes, and other	6	7	(9)	4
Fines	719	-	(719)	-
Post-employment defined benefits	11	5	(11)	4
TOTAL	**736**	**11**	**(739)**	**8**

12.1. Provisions for litigations and disputes

12.1.1. Alleged anti-competitive activities

Related to "Energy" activities

By taking over the Energy activities of Alstom, General Electric agrees to bear all assets and all liabilities and risks associated exclusively or predominantly for Energy activities (except for the agreement with the US Department of Justice as mentioned in Note 3.2). In this context, Alstom would be compensated by General Electric from any liability that Alstom could be brought to bear on behalf of its Energy activities after the sale.

12.1.2. Alleged illegal payments in Transport activities

Certain companies and/or current and former employees of the Group are currently being investigated and/or subject to procedures, by judicial or administrative authorities (including in Brazil, in the United Kingdom and in France) or international financial institutions with respect to alleged illegal payments in certain countries.

With respect to these above mentioned matters, the Group is cooperating with the concerned authorities or institutions. These investigations or procedures may result in criminal sanctions, including fines which may be significant, exclusion of Group subsidiaries from tenders and third-party actions.

The World Bank and Alstom entered into a negotiated resolution agreement on 21 February 2012. As part of this 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 which ended on 21 February 2015. The World Bank determined that Alstom has implemented a corporate compliance program in line with the World Bank's integrity compliance policies and practices and has satisfied all of the other conditions of the February 2012 negotiated resolution agreement.

12.2. Provisions for fines

Agreement between Alstom and the US Department of Justice (DOJ)

Alstom has concluded on 22 December 2014 an agreement with the US Department of Justice (DOJ) in order to put an end to the investigation conducted in the United States from 2010 on subsidiaries of the Group relating to alleged potential violations of the Foreign Corrupt Practices Act (FCPA).

Two former US subsidiaries, Alstom Power Inc. and Alstom Grid Inc. (formerly known as Alstom T&D Inc.), have agreed to enter into deferred prosecution agreements with the DOJ relating to FCPA charges. Given that these former US subsidiaries are now held by General Electric, the management of their deferred prosecution agreements is handled by General Electric. Another Alstom subsidiary, Alstom Network Schweiz AG (formerly known as Alstom Prom AG), has agreed to plead guilty to FCPA antibribery charges. In relation to these underlying charges, the ultimate parent company of the Group, ALSTOM has agreed to plead guilty to violating the books and records and internal controls provisions of the FCPA and to pay a fine of approximately $772 million.

The DOJ agreement has also stipulated that no part of the fine can be passed on to General Electric as part of the sale of Alstom's Energy businesses.

This agreement was approved by the competent American court during a hearing held on 13 November 2015 and the payment of the fine stipulated in the agreement was effected on 23 November 2015 for an amount of €726 million. Consequently, the provision was fully reversed.

Subsequent to the validation of the agreement, Alstom has submitted to the DOJ the first annual report on its integrity program pursuant to the applicable three-year reporting period.

12.3. Provisions for post-employment defined benefits

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

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

With respect to the defined contribution plan, the rights are acquired annually and correspond to 1% of the annual remuneration up to four times the Social Security ceiling, 4% of the annual remuneration within a range of four to eight times the Social Security ceiling and 11% of the annual remuneration within a range of eight to twelve times the Social Security ceiling. Since 1 July 2014, up to 95% of social contributions are borne by the Company. The amount of contributions within the defined contribution plan was €25,724 for fiscal year 2015/16 of which €24,438 was paid by the Company, of which €20,319 in favour of Mr Kron and €4,119 in favour of Mr Poupart-Lafarge.

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

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:

- the vesting of the Chairman and Chief Executive Officer's rights is subject to a performance condition. At its meeting dated 18 January 2016, the Board of Directors decided that the Chairman and Chief Executive Officer's annual rights would only vest if the amount of variable remuneration he receives for the corresponding fiscal year reaches at least 50% of its target value;
- 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 eight to twelve times the Social Security ceiling and to 1.2% of the annual reference remuneration in excess of twelve 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.

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.

Since 1 February 2016, due to changes in the legislation, the amount of the annual pension that could be paid to beneficiaries cannot exceed eight times the Social Security ceiling (assessed on the day the beneficiary goes into retirement). As such, the maximum income percentage over which the defined benefit 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.

The benefit obligation for the defined benefits plan is equal to €4,200,000 as at 31 March 2016, including an amount of €812,903 of taxes applicable to supplemental retirement schemes as increased since 1 January 2013 and then since 1 January 2015. This amount has decreased significantly as a result of the wind up of Mr Patrick Kron's retirement pension entitlements. A payment of €5,400,000 was made to AXA in order to allow for the payment of the €285,000 annual pension to which he was eligible.

NOTE 13 • BONDS REIMBURSABLE WITH SHARES

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

At 31 March 2016, a balance of 77,554 bonds is still outstanding amounting to €0.1 million, in the absence of notification from bondholders regarding the redemption. Those bonds represent 4,870 shares to issue.

NOTE 14 • BONDS

The movements in nominal amount of bonds over the past two years are as follows:

(Nominal value in € million)	Maturity date									
	Total	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 2014	**4,630**	**722**	**58**	**500**	**500**	**750**	**350**	**500**	**500**	**750**
Bonds issued	-									
Currency adjustments	-									
Repurchase	-									
Bonds reimbursed at maturity date	(780)	(722)	(58)							
Outstanding amount at 31 March 2015	**3,850**	**-**	**-**	**500**	**500**	**750**	**350**	**500**	**500**	**750**
Bonds issued	-									
Currency adjustments	-									
Repurchase	(875)					(297)	(78)	(129)	(217)	(154)
Bonds reimbursed at maturity date	(1,000)			(500)	(500)					
OUTSTANDING AMOUNT AT 31 MARCH 2016	**1,975**	**-**	**-**	**-**	**-**	**453**	**272**	**371**	**283**	**596**

During the year two bonding lines were reimbursed for a total value of €1,000 million (€500 million on the 5 October 2015 and €500 million on the 2 March 2016).

Furthermore, an anticipated and partial reimbursement of bonds occurred on the 19 February 2016 for an amount of €875 million.

Accrued interests at 31 March 2016 amounting to €20 million are added to the outstanding principal amount in the balance sheet.

Following completion of the transaction with General Electric, Alstom has cancelled its revolving credit facility in the amount of €1,350 million. A new credit facility of €400 million came into force on 4 November 2015. It has not been used.

Alstom terminated its additional credit facilities totalling €1,600 million, on 2 November 2015, the transaction with General Electric completion date.

Given these elements and its debt repayment schedule presented below, Alstom considers that it has sufficient financial flexibility to meet its obligations and financial needs.

These facilities are subject to a maximum ratio of Total Net Debt of 2.5, based on consolidated data. This corresponds to Net Debt (*i.e.,* the total debt less marketable securities and cash or cash equivalents) to EBITDA ratio.

As of 31 March 2016, Alstom calculates covenants considering both continuing and discontinued activities. The key Group indicators used to calculate the financial covenants are detailed below:

	For the year ended	
(in € million)	31 March 2016	31 March 2015
EBITDA (excluding capital gain on disposal)	358	107
Total net debt (*)	216	2,850
TOTAL NET DEBT LEVERAGE	**0.6**	**26.6**

(*) Total net debt of both continuing and discontinued activities for March 2015.

NOTE 15 • OTHER BORROWINGS

The outstanding value at 31 March 2016 is nil.

NOTE 16 • PAYABLES AND RELATED PARTIES

	At 31 March 2016		At 31 March 2015	
(in € million)	Total	Out of which related parties	Total	Out of which related parties
Trade payables	9	6	7	1
Payables to members of the tax group	-	-	127	127
Payables to members of the VAT group	0	0	-	-
Other tax and social security payables	2	-	4	-
Other liabilities	2	-	8	7
TOTAL	**13**	**6**	**146**	**135**

The Company is the head of a "VAT group", with four members (against 10 as at 31 March 2015). This group allows compensation between debit and credit statements of the four members.

NOTE 17 • MATURITY OF LIABILITIES

(in € million)	As at 31 March 2016	Within one year	One to five years	More than five years	out of which related parties
Bonds	1,995	473	1,522	-	-
Other borrowings	0	0	-	-	-
Trade payables	9	9	-	-	6
Other payables	4	4	-	-	-
TOTAL	**2,008**	**486**	**1,522**	**-**	**6**

NOTE 18 • OTHER INFORMATION

18.1. Off Balance-sheet Commitments

Total outstanding guarantees given by the Company amount to €559 million at 31 March 2016, of which:

- €497.2 million guarantees of commercial obligations contracted by the Transport's subsidiaries;
- €61.5 million in respect of financial commitments given on behalf of Transport's subsidiaries.

In March 2015, by internal derivate subscribed to Alstom Holdings (Central Treasury), the Company has implemented currency hedges in connection with the agreement with the U.S. Department of Justice (Notes 6 and 12.2). These hedges were settled on November 2015, when paying the fine to the DOJ.

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 No. 7	Plan No. 8	Plan No. 9	Plan No. 10	Plan No. 10	Plan No. 11	Plan No. 11	Plan No. 12	Plan No. 12
	Stock options	Stock options	Stock options	Stock options	Performance shares	Stock options	Performance shares	Stock options	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	21/09/2009	21/09/2009
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	21/09/2012 20/09/2017	N/A
Number of beneficiaries	1,007	1,030	1,053	1,196	1,289	411	1,431	436	1,360
Adjusted number granted (1)	5,566,000	2,803,000	3,870,345	1,950,639	252,000	754,300	445,655	1,001,612	522,220
Adjusted number exercised since the origin	5,048,533	2,435,547	605,711	1,150	220,320	-	-	-	182,432
Adjusted number cancelled since the origin	517,467	367,453	539,870	329,751	31,680	754,300	445,655	650,183	339,788
Adjusted number outstanding at 31 March 2016	-	-	2,724,764	1,619,738	-	-	-	351,429	-
Inc. to the present members of the Executive Committee	-	-	111,683	67,586	-	-	-	23,408	-
Adjusted exercise price (2) *(in €)*	8.60	17.88	32.48	58.73	N/A	66.47	N/A	43.48	N/A
Fair value at grant date *(in €)*	7.30	10.30	12.90	29.24	129.20	16.71	63.54	11.26	48.11

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

	Plans issued by Shareholders' Meeting on 22 June 2010								Plan issued by Shareholders' Meeting on 17 March 2016
	Plan No. 13	Plan No. 13	Plan No. 14	Plan No. 14	Plan No. 15	Plan No. 15	Plan No. 16	Plan No. 16	PSP 2016
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Performance shares
Grant date	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016
Exercise period	13/12/2013 12/12/2018	N/A	04/10/2014 03/10/2019	N/A	10/12/2015 09/12/2020	N/A	03/10/2016 30/09/2021	N/A	N/A
Number of beneficiaries	528	1,716	514	1,832	538	1,763	292	1,814	737
Adjusted number granted [1]	1,419,767	740,860	1,573,723	804,040	1,508,777	883,140	771,997	1,130,791	957,975
Adjusted number exercised since the origin	-	506,330	75,178	478,149	26,760	178,863	-	678	-
Adjusted number cancelled since the origin	463,353	234,530	694,249	325,891	803,615	490,190	68,485	93,338	-
Adjusted number outstanding at 31 March 2016	956,414	-	804,296	-	678,402	214,087	703,512	1,036,775	957,975
Inc. to the present members of the Executive Committee	89,622	-	69,680	-	57,198	2,521	71,608	53,449	160,500
Adjusted exercise price [2] *(in €)*	28.83	N/A	22.96	N/A	24.10	N/A	23.44	N/A	N/A
Fair value at grant date *(in €)*	7.59	31.35	3.14	19.77	5.80	26.70	3.84	22.62	17.12

At 31 March 2016, stock options granted by plans 8, 9, 10, 11, 12, 13, 14 and 15 are fully vested. For plans 9 and 10, options will expire seven years after the end of the vesting period of each plan. For plans 12, 13, 14, 15, 16, options will expire five years after the end of the vesting period.

The long term incentive plans set up since 2007 combine the allocation of stock options with the allocation of performance shares, except the latter that allocates only performance shares. The grant of these instruments is conditioned by the satisfaction of performance indicators.

LTI plan 15 granted on 10 December 2012

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

Based on consolidated financial statements for the fiscal years ended 31 March 2013 and 31 March 2014, the performance conditions were achieved for 30% of an allotment of LTIP15 options and performance shares.

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

LTI plan 16 granted on 1 October 2013

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

As a consequence, all options will be exercisable under this plan and all performance shares will be delivered.

In addition, for both plans 15 and 16, the presence condition has been waived for the beneficiaries having left the Group as part of the Energy transaction on the condition they are employees of Alstom group as at the date of the closing of the transaction.

PSP 2016 granted on 17 March 2016

This plan has been agreed by the Shareholders' Meeting of 17 March 2016. It allocates 957,975 performance shares to 737 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and free cash flow for fiscal years ended 31 March 2017, 31 March 2018, and 31 March 2019, and one external condition linked to the performance of the Company's share.

The final delivery will take place five days after the communication of the 31 March 2019 results.

The number of performance shares will be determined as follows:

	2016/17	2017/18	2018/19
KPI weight	20%	25%	55%
Free Cash Flow	10%	10%	10%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with FCF up to +€300 million (yearly)		
Adjusted EBIT	10%	15%	15%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with *aEBIT margin* up to 7% (yearly)		
TSR	0%	0%	30%
Condition	Progressive delivery from 0 to total number of granted shares (100%) with Alstom TSR up to 10 points above Index TSR		

Movements

	Number of options	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2014	**8,849,932**	**36.49**	**2,506,196**
Granted	0	0.00	0
Exercised	(481,126)	13.06	(495,050)
Cancelled	(855,018)	27.23	(451,005)
Outstanding at 31 March 2015	**7,513,788**	**39.06**	**1,560,141**
Granted (*)	1,572,120	0.00	1,189,666
Exercised (*)	(519,494)	16.07	(427,740)
Cancelled (*)	(727,859)	10.41	(113,230)
OUTSTANDING AT 31 MARCH 2016	**7,838,555**	**35.44**	**2,208,837**
of which exercisable	*7,135,043*		*N/A*

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

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 described in Article L. 225-42-1 of the French Commercial Code, would be maintained without any change, and approved and authorised their renewal, insofar as necessary. These commitments were then approved once again at the General Shareholders' Meeting dated 26 June 2012.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, in his capacity as Chairman and Chief Executive Officer, concerned, 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.

At its meeting dated 5 May 2015, the Board of Directors decided that these commitments would once again be maintained, and approved and authorised their renewal. This decision was confirmed at the General Shareholders' Meeting dated 30 June 2015.

As a result, by resigning from his functions to go into retirement, Mr Kron benefited from the wind up of his vested rights with respect to his defined contribution and defined benefit pension plans. He also retains the right to exercise his stock options and his rights to performance shares as of the date of his departure, or on 31 January 2016.

Since then, the Chairman and Chief Executive Officer does not benefit from any specific measure protecting his vested rights under the defined benefit supplemental pension plan. In the event of a forced departure, he could not keep rights to the exercise of vesting stock options or to vesting performance shares granted in the context of his mandate during the past two plans. The Chairman and Chief Executive Officer would benefit from a severance payment subject to performance conditions. It would be equal to two years of his target remuneration, fixed and variable, to which would be applied a coefficient matching the average level of attainment of targets applicable to his variable remuneration for the three years preceding his departure, capped at 100%. Consequently, the severance payment to which the Chairman and Chief Executive Officer could be entitled could not exceed two years of his target remuneration, fixed and variable, in accordance with the November 2015 version of the AFEP-MEDEF Code recommendations. It would include the severance payment to which Mr Henri Poupart-Lafarge is eligible in the frame of the suspension of this employment contract.

18.4. Transactions with related parties

The decree No. 2009-267 dated 9 March 2009 requires to give information about transactions with related parties contracted at conditions other than normal market conditions.

The Company has not identified any transaction coming into the scope of this requirement.

18.5. List of subsidiaries

ALSTOM Holdings is ALSTOM's sole subsidiary and is 100% owned.

Information on ALSTOM Holdings

Gross value of investment held by the Company	€9.2 billion
Net value of investment held by the Company	€8.0 billion
Gross value of loans and advances granted by the Company	€0.3 billion
Net value of loans and advances granted by the Company	€0.3 billion
Bonds and guarantees granted by the Company outstanding at 31 March 2016	-
Dividends paid by ALSTOM Holdings to the Company during financial year ended at 31 March 2016	-
ALSTOM Holdings shareholders' equity at 31 March 2015	€4.5 billion
ALSTOM Holdings shareholders' equity at 31 March 2016	€4.1 billion

FIVE-YEAR SUMMARY

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

	Year ended				
	31 March 2012	31 March 2013	31 March 2014	31 March 2015	31 March 2016
1. SHARE CAPITAL AT YEAR END					
a) Share capital *(in € thousand)*	2,061,736	2,157,107	2,160,915	2,168,547	1,533,889
b) Number of outstanding issued shares	294,533,680	308,158,126	308,702,146	309,792,497	219,127,044
c) Par value of shares *(in €)*	7	7	7	7	7
2. OPERATIONS AND INCOME FOR THE YEAR *(in € million)*					
a) Dividends received	-	-	-	-	-
b) Income before tax, depreciation, impairment and provisions	70	65	56	28	(1,082)
c) Income tax credit	67	11	29	39	100
d) Net income after tax, depreciation, impairment and provisions	136	67	(852)	(597)	(268)
e) Dividends (1)	236	259	-	-	-
3. EARNINGS PER SHARE *(in €)*					
a) Net earnings after tax, but before depreciation, impairment and provisions	0.46	0.25	0.28	0.22	(4.48)
b) Net earnings after tax, depreciation, impairment and provisions	0.46	0.22	(2.76)	(1.93)	(1.22)
c) Net dividend per share (1)	0.80	0.84	-	-	-
4. PERSONNEL					
a) Average headcount of the year	-	-	-	-	-
b) Amount of remuneration of the Chairman and Chief Executive Officer *(in € thousand)* (2)(3)	2,702	2,211	2,156	1,744	7,823
c) Amount of social charges and other welfare benefits for the year *(in € thousand)*	820	796	769	464	811

(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.
(3) The amount mentioned at 31 March 2016 includes the conditional exceptional remuneration of Mr Patrick Kron for €4,449,000.

APPROPRIATION OF THE NET INCOME FOR THE PERIOD ENDED 31 MARCH 2016

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

The following appropriation of the loss of the year ended 31 March 2016, €(268,164,642.80), will be proposed to the next Shareholders' Meeting:

Net income for the financial year	€(268,164,642.80)
Allocation to General reserve	€(268,164,642.80)

No dividend was paid for the periods ended 31 March 2014 and 31 March 2015.

A dividend of €0.84 per share was distributed for the year ended 31 March 2013.

COMMENTS ON STATUTORY ACCOUNTS

Information requested by the Article L. 225-100 of the French Commercial Code

The Company is the holding company of the Alstom group. ALSTOM Holdings is ALSTOM's sole subsidiary. The Company centralises a large part of the external financing of the Group 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 €268 million and mainly comprised:

- €15 million operating income stemming from the fees for the use of ALSTOM name minus administrative costs and other external costs;
- €292 million financial charge;
- €91 million non-recurring expense; and
- €100 million net income tax credit mainly linked to the tax grouping.

Balance sheet

Total of balance sheet amounts to €8,489 million and is mainly made of:

- **Assets:**
  - ALSTOM Holdings investments totalling €8,016 million in net value;
  - advances to ALSTOM Holdings amounting to €303 million.
- **Shareholders' equity and liabilities:**
  - shareholders' equity amounts to €6,473 million and is made of:
    - share capital: €1,534 million,
    - paid-in capital: €884 million,
    - reserves: €4,323 million,
    - net loss of the period: €(268) million;
  - provisions for risks and charges amounting to €8 million;
  - outstanding bonds amounting to €1,995 million.

Information on trade payables

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

- received invoices to be paid for €1 million (*versus* €2 million at 31 March 2015) all of which have a maturity under 60 days;
- invoices to come for €9 million (*versus* €5 million at 31 March 2015).

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended 31 March 2016)

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

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

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

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2016, on:

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

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

I. Opinion on the financial statements

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

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 March 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in the Note 3.1. "Alstom strategic move" to the financial statements regarding the finalization of the transaction with General Electric including the sale of the Group's Energy activities, the acquisition of General Electric's Signalling business and the investments in the alliances with General Electric, and the subsequent Public share buy-back offer.

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. Completion of the transaction with General Electric

Note 3.1 "Alstom strategic move" to the financial statements describes the impacts of the finalization of the transaction with General Electric. Notes 11 "Shareholders' equity" and 14 "Bonds" to the financial statements present the main consequences of the transaction and its subsequent operations. We have verified that the principles applied are appropriate and that they have been adequately applied. Furthermore, we have verified that these notes to the financial statements give the appropriate information.

2. Investments

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

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 12 "Provisions for risks and charges" and Note 2.3 "Provisions for risks and charges – Provisions for litigation and disputes" to the financial statements.

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

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the Directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

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

Neuilly-sur-Seine and Paris La Défense, 11 May 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Édouard Demarcq	Cédric Haaser

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 2016)

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

Agreements and commitments authorized during the year

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments authorized by the Board of Directors:

Commitments falling within the scope of Article L. 225-42-1 of the French Commercial Code with Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom starting 1 February, 2016

Director concerned:

Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom starting 1 February, 2016.

Nature and purpose:

At its meetings of 28 January 2016 and 10 May 2016, the Board of Directors authorised the related-party commitments made to Henri Poupart-Lafarge, Chairman and Chief Executive Officer of Alstom starting 1 February, 2016, in relation to defined contribution plan, defined benefit plan and severance payment to be paid should his mandate terminate prematurely and motivated the interest of such commitments for the Company, in accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code.

Motivations justifying the interest of such commitments for the Group:

Given the historical presence of Henri Poupart-Lafarge in the Group, its new attributions as Corporate Officer (Chairman and Chief Executive Officer) and, the Group's need of his experience and continuity of the implemented strategy, the Board of Directors, upon the recommendation of the Nominations and Remuneration Committee, wishes to set global compensation at the benefice of Henri Poupart-Lafarge, that is in line with market practices and compliant with legal obligations and AFEP-MEDEF Code.

These commitments are as follows:

Severance payment

As regards the length of Henri Poupart-Lafarge's career as employee before being appointed as Chairman and Chief Executive Officer (18 years), the Board of Directors, upon the recommendation of the Nominations and Remuneration Committee, authorized the suspension (instead of cancellation) of his contract of employment during his Corporate Office. The Board of Directors, upon the recommendation of the Nominations and Remuneration Committee, decided that in the event of revocation of his Corporate Office his contract of employment with Alstom Executive Management S.A.S. would be reactivated. In the event it would not be possible to propose to Henri Poupart-Lafarge a position corresponding to his level of responsibility, he would benefit from a severance payment which cannot exceed two years of his target remuneration as Corporate Officer and is subject to the following performance condition: application of a coefficient corresponding to the average level of attainment of targets applicable to his variable remuneration for the three years preceding his departure to two years of his target remuneration, fixed and variable. It would include and could not be lower than the severance payment to which Mr Henri Poupart-Lafarge is eligible in the frame of his suspended employment contract, or €1,856,000.

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.

With regard to the defined benefit plan, the Chairman and Chief Executive Officer benefits from the supplemental collective retirement scheme which covers the Directors of Alstom S.A. and Alstom Executive Management S.A.S. whose base annual remuneration exceeds eight times the French social security ceiling. The acquisition of the entitlements by the Chairman and Chief Executive Officer is subject to performance condition. At its meeting dated 28 January 2016 the Board of Directors decided that the Chairman and Chief Executive Officer would acquire the yearly entitlements only in the case where his variable remuneration for the year would reach at least 50% of its target value.

Under the scheme, 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 eight to twelve times the Social Security ceiling and to 1.2% of the annual reference remuneration in excess of twelve 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.

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.

Assuming he would retire when leaving the Group, Henri Poupart-Lafarge could claim upon retirement a gross retirement pension under the defined contribution scheme equal to approximately 0.6% of the capped annual reference remuneration within a range of eight to twelve times the Social Security ceiling, and to 1.2% of the annual reference remuneration in excess of twelve times the Social Security ceiling per year as described in the scheme. 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. In accordance with the applicable regulation, the acquisition of the entitlements is subject to performance condition. In that frame, upon the recommendation of the Nominations and Remuneration Committee, the level of achievement of Henri Poupart-Lafarge's Short Term Incentive should be at least equal to 50% in order to be acquired.

With regard to the defined contribution plan, the Chairman and Chief Executive Officer benefits from the supplemental collective retirement scheme which covers the Directors of Alstom S.A. and Alstom Executive Management S.A.S. Social contributions financing the defined contribution plan represent an amount of 1% of Tranche A, 1% of Tranche B, 4% of Tranche C and 11% of Tranche D of Henri Poupart-Lafarge's annual reference remuneration and are borne by the Company up to 95%.

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 that had already been approved by the Annual General Meeting in previous years, which remained in force but were not implemented during the year ended 31 March 2016.

Underwriting agreement in connection with the share capital increase without pre-emptive subscription rights

Director concerned:

Jean-Martin Folz, Director of Société Générale and Director of Alstom until 30 June 2015.

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.

Agreement for industrial, commercial and financial cooperation with Bouygues

Persons concerned:

- Bouygues S.A.;
- Patrick Kron, Chairman and Chief Executive Officer of Alstom until 31 January 2016 and Director of Bouygues S.A.

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 authorization:

The agreement was authorized 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 1 February 2010

Directors concerned:

Jean-Martin Folz, Director of Société Générale and Director of Alstom until 30 June 2015.

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 authorization:

The underwriting agreement was authorized in advance by the Board of Directors on 22 December 2009 and approved by the Annual General Meeting on 22 June 2010.

Agreements and commitments authorized during the year

We were informed of the execution during the year of the following agreements already approved by the Annual General Meeting of 30 June 2015, based on Statutory Auditors' special report on related-party agreements and commitments issued on 6 May 2015.

Commitments falling within the scope of Article L. 225-42-1 of the French Commercial Code with Patrick Kron, Chairman and Chief Executive Officer of Alstom until 31 January 2016

Director concerned:

Patrick Kron, Chairman and Chief Executive Officer of Alstom until 31 January 2016.

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.

On 5 May 2015, the Board of Directors authorized the renewal of these commitments which were approved by the Annual General Meeting of 26 June 2012 have been approved during the Annual General Assembly of 30 June 2015.

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 in 2004.

With regard to the defined benefit plan, the Chairman and Chief Executive Officer benefits from the supplemental collective retirement scheme which covers all persons exercising functions within the Group in France whose base annual remuneration exceeds eight times the 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.

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 eight to twelve times the Social Security ceiling and to 1.2% of the annual reference remuneration in excess of twelve 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.

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.

The defined contribution plan complements the defined benefit plan. The rights are acquired annually and correspond to 1% of the annual remuneration up to four times the social security ceiling, 4% of the annual remuneration within a range of four to eight times the social security ceiling and 11% of the annual remuneration within a range of 8 to 12 times the social security ceiling. Since 1 July 2014, social contributions are borne by the Company up to 95%.

Pursuant to Mr Patrick Kron's retirement and in accordance with the commitments made to him, a €5,400,000 payment was made to AXA in order to windup the supplemental pension entitlements under this plan, to be dispensed annually in €285,000 instalments.

Due to the fact that Mr Patrick Kron claimed all of his retirement entitlements, as of 31 January 2016 the Company has fulfilled all retirement commitments made to him.

Neuilly-sur-Seine and Paris La Défense, 31 May 2016

The Statutory Auditors

PricewaterhouseCoopers Audit
Édouard Demarcq

Mazars
Cédric Haaser

RISK FACTORS

4

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

The section below presents the main risk factors, applicable to Alstom and to its market environment. Together with the sections "Management report on consolidated financial statements – fiscal year 2015/16" and "Description of Group activities", it constitutes the Board of Directors' report on the Group's management for fiscal year 2015/16.

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

As mentioned in Note 1 to the consolidated financial statements for the year ended 31 March 2016, the Energy activities are reported as "discontinued operations" in Alstom's consolidated financial statements until the General Electric transaction closing date, *i.e.* 2 November 2015. They are therefore not included in orders, sales, income from operations and are reported under the "Net profit from discontinued operations" line. This line also includes the net profit arising from the completion of the transaction. In accordance with IFRS 5, the net income from the Energy activities (discontinued operations) has been presented on a separate line of the income statement of the comparative periods. The assets held for sale and the related liabilities are presented on the opening balance-sheet separately from other assets and liabilities on specific lines. As of 31 March 2016, these lines only include very few assets and liabilities where the disposal process is still on-going, awaiting for authorizations from antitrust authorities (or other competent authorities) or joint-venture partners consent. The net cash flows attributable to the operating, investing and financing activities of discontinued operation realized from 1 April 2015 to the transaction completion, *i.e.* on 2 November 2015 are disclosed in the consolidated statement of cash flows. The consolidated statement of cash flows also shows the proceeds coming from the transaction itself. For more details on the consequences of the transaction with General Electric on the consolidated financial statements for the year ended 31 March 2016, please refer to Note 3 to the consolidated financial statements for the fiscal-year ended 31 March 2016.

RISKS IN RELATION TO THE ECONOMIC ENVIRONMENT AND GROUP ACTIVITIES

ECONOMIC AND POLITICAL ENVIRONMENT

The evolution of the markets in which Alstom operates is driven by a variety of complex and inter-related external factors, such as economic growth, political stability, public policies and the availability of credit supply. The rail transportation market is highly dependent on public policy regarding the environment and transportation, and the increasing urbanization.

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

Government measures to reduce public expenditures in relation to the large sovereign debts and government budget deficits, particularly in Europe, may result in an increased reduction of public investments, notably in the rail transport market as described below (which could limit the financing of new projects) and an additional tax burden increase in some countries. In addition, economic hardships could lead to governments reconsidering their environmental policies, which is one of the compelling arguments in favour of developing rail transportation.

Should the current uncertain situation in Europe persist over time or deteriorate, should the economic slowdown in certain emerging countries intensify or spread to other countries, or should the global economic environment further deteriorate, this could, in particular, result in a reduction in public investment as well as increased difficulties in obtaining credit or a greater risk of insolvency for key customers, suppliers and subcontractors of Alstom, and therefore have an adverse effect on the business activities, financial position, results or future outlook of the Group.

The "BRICs" countries (Brazil, Russia, India, China), 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 current strategy relies on the long-term growth of the rail transportation market, which is, in turn, most notably related to the economic and demographic growth particularly in emerging countries, a growing trend toward urbanisation, the saturation of infrastructure and environmental concerns aimed at drastically reducing CO_2 emissions in the transportation industry by 2050 (Source: IPCC – Intergovernmental Panel on Climate Change). However, economic hardships either in certain geographic zones or worldwide, could affect the growth factors on which Transport activities depend, and call its growth strategy into question.

The French and European markets represent a significant contribution to the activities of Alstom and their earnings. Therefore, the Group is particularly sensitive to macroeconomic change and to challenges associated with sovereign debt in these markets and, as a result, sensitive to the reduction, the reconsideration or the postponement of public investments in these regions. Alstom considers that this risk can be weighted to account for the diversity of its business activities and the geographic zones in which they are exercised. However, there can be no guarantee that this diversity will effectively reduce this risk, or that these other business activities and geographic zones in which they are exercised will not face challenges.

Alstom performs a part of its business activities in countries of oil revenues where clients, because of market conditions, could be led to postpone new projects. More generally, and because of this situation, the activities in these countries expose Alstom to a risk of requests for renegotiation of on-going contracts or to payment delays.

Most of the Group's railway transportation business relies on public institutions, in particular governmental institutions that, historically, represent more than two thirds of orders recorded by the Group (the ratio of orders placed by public institutions can decrease during fiscal years in which private entities place a significant amount of orders). The amount they are able to invest and spend depends on complex political and economic factors and could vary from one fiscal year to the next. Economic slowdown or public budgetary restrictions can cause a decrease in infrastructure investments, delays in placing orders, delays in executing contracts or payments, as well as a decrease in incentive-based measures to promote research and development. In periods of over-indebtedness (or of a sovereign debt crisis), the implementation of austerity or public spending reduction programmes can lead to budgetary arbitrage that has a negative impact on the volume of orders placed for transportation infrastructure projects. The availability of financing for large transportation infrastructure projects and their cost also affect the amount of public orders placed. In particular, securing this financing can be either more difficult or more expensive during a financial crisis. As a result, these factors could potentially have a significant adverse impact on the business activities, the financial position, the earnings, or the future outlook of Alstom.

Alstom furthermore exercises its business activities, takes advantage of its production capacities and has developed partnerships throughout the entire world, including in non-member countries of the European Union. Alstom is present in Russia and in the CIS, in Latin America, Africa and Asia. These geographic zones may be subject to higher political and social instability. Investment policies regarding the infrastructure are closely linked to political and regulatory changes in these regions. The commercial success of Alstom or the outlook and earnings of the partnerships put in place could, as a result, be directly or indirectly affected by an unfavourable political or economic slowdown occurring within these geographic zones.

Alstom has notably established a presence in the CIS through its 33,3% equity interest in the share capital of Transmashholding (TMH), the historic Russian manufacturer of railway trains, and has developed a partnership strategy with this company since May 2011 (please refer to the section entitled "Description of Group activities").

Growth projections in Russia have been subject to a downward adjustment. This has a negative impact on the investments planned by RzD, a Russian public operator, to renew its fleet of railway trains and thus on the business activities of TMH and Alstom in Russia.

In addition, the political developments in Ukraine could further affect such economic growth projections, as well as the business activities of TMH and Alstom in Russia, in particular if the international community decides to maintain or reinforce the measures aimed directly at Russia. These events could also impact the business activities of TMH's international competitors on the Russian market.

Alstom does not hedge the exchange rate risk resulting from converting TMH's earnings to Euros in the financial statements of the Group. Consequently, any decrease in the value of the Russian Ruble would have an adverse effect on TMH's contribution to the net income in Euros of Alstom, on the Euro-converted amount of dividends received by Alstom in connection with its equity interest in TMH, as well as on TMH's net carrying value (please refer notably to the section entitled "Management report on consolidated financial statements – fiscal year 2015/16" and to the Note 12.1 to the consolidated financial statements for the fiscal year ended 31 March 2016).

Worldwide demand analysis on the different markets on which Alstom operates and key drivers for each Alstom's businesses, as well as Alstom's assessment of the impact of the economic situation on its business activities are presented in sections "Description of Group activities" and "Management report on consolidated financial statements – fiscal year 2015/16".

COMPETITIVE ENVIRONMENT

Alstom faces intense competition, both from large historical international competitors and regional players as well as new ones from emerging countries (particularly in Asia), where they benefit from more competitive cost structures. The consolidation initiatives on certain transport market segments that have already occurred, such as the German company Siemens' acquisition of the British company Invensys's signalling business or Hitachi's acquisition of the railway businesses of the Italian company Finmeccanica, or the merger of the Chinese companies CSR and CNR (renamed CRRC), could increase this competition. This may put pressure on prices and profit margins, and also on payment terms and conditions, the manufacturing time frame, the technologies proposed and the services provided to the client, which could weaken Alstom's position in certain of its markets and, as a result, have an adverse impact on its business activities, financial position, results or future outlook.

In addition, particularly in an unfavourable economic environment, competition could further intensify.

Furthermore, although Alstom has developed and continues to develop its presence on many geographic markets, including *via* alliances and partnerships, access to certain markets can prove to be difficult, particularly if there is a local competitor benefiting from a stronghold in its home market. These types of situations could put Alstom in an unfavourable position relative to some of its competitors and slow down its expansion strategy in certain zones.

Alstom's competitive position is described in the section "Description of Group activities".

The Group considers that its strong order backlog as well as all the measures it has taken, in particular for reducing costs and adapting headcount to demand, should enable it to remain efficient and face the current competition and the economic environment, which remains uncertain and contrasted across geographies and business activities. The initiatives taken by the Group may prove to be insufficient in case of a long-lasting downturn of the world economy, drop in demand and increasing and continued competitive pressures.

Any unfavourable development of any of the aforementioned factors may have an adverse impact on Alstom's markets and as a consequence an adverse effect on its business activities, financial position, results or future outlook.

COMPLEX AND LONG-TERM CONTRACT EXECUTION

Alstom's business activities lead the Group to engage in very large complex long-term contracts. These complex long-term contracts may be signed by several players, *via* a consortium or the creation of a project company, particularly in the case of PPP projects (public-private partnerships) or the like, which take on concession and project financing responsibilities. Due to the complexity and the length of the projects in which Alstom participates, the actual costs and productivity could potentially differ from what the Group had initially forecasted. The profit margins generated by Alstom with respect to some of its contracts can, as a result, prove to be lower than those initially forecasted, or even lead to zero or negative profits. The variation in costs and profitability of certain contracts during their execution can also significantly affect the earnings and cash flows of the Group over a given period. Long term contracts with customers generally include indexing formulas to protect the Group's margin against increases in costs such as labour costs, raw materials, commodities. Although these indices are designed to fit as much as possible with the cost structure of our contracts, they may prove inadequate to preserve the margins at any time, especially due to threshold effects or time lag in their implementation.

The revenue, cash flow and profitability of a long-term project vary significantly in accordance with the progress of that project and depend on a variety of factors, some of which are beyond the Group's control, such as unanticipated technical problems with equipment being supplied, postponement or delays in contract execution or in contract bidding process, financial difficulties of customers, withholding of payment by customers, and performance defaults by or financial difficulties of suppliers, subcontractors or consortium partners with whom Alstom may sometimes be jointly liable.

In addition, Alstom has signed many contracts containing requirements to comply with mandatory performance levels for the equipment it delivers or a rigorous delivery schedule. If the Group were unable to comply with these obligations, Alstom's clients could request the payment of contractual penalties, or terminate the contract in question, or even claim compensation for damages, which could have an adverse impact on the business activities, financial position, results or future outlook of Alstom.

In addition, although these cases remain 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 2016, the aggregate outstanding amount of guarantees over contract granted by banks and insurance companies totals €8 billion (please refer to Note 30.1 to the consolidated financial statements for the year ended 31 March 2016).

Alstom has established strict risk control procedures applying from tendering to contract execution and monitoring, through its risk Committees as well as procedures implemented within the Group, as described in the Chairman's report in the section "Corporate governance". However, Alstom can give no assurance that these measures enable it to accurately predict the profitability of a new contract, or to avoid or limit the deterioration of the conditions under which a contract is executed. Certain projects are or may be subject to delays, cost overruns, or performance shortfalls which may lead to the payment of penalties or damages. Such difficulties may have a significant adverse impact on the Group business activities, financial position, results or future outlook.

In addition, unfavourable geopolitical events in the geographic areas in which Alstom operates can increase difficulties relative to the conditions under which the contracts the Group has signed are executed, extend execution periods, or trigger unexpected legislative or regulatory changes that could significantly increase the costs of execution initially projected by Alstom for these contracts. As a result, these events could have an adverse impact on the business activities, financial position, earnings or future outlook of Alstom.

These long-term contracts are signed with customers that, for the most part, are public entities. These types of customers require that the Group comply with project bidding and open market specificities, which limit its ability to negotiate certain contractual terms and conditions and can force it to accept less favourable conditions. For example such customers may insist on a payment schedule that reduces or eliminates advance payments or that leads to negative cash-flow during the execution of the project, mandatory technical performance levels or requirements associated with the issuance of parent company guarantees. Indeed, public procurement procedures often take the form of contracts of adhesion that cannot be amended, causing bidders to risk disqualification if they attempt to include special considerations in their offers. These particularities could potentially expose Alstom to significant additional risks or costs that could affect the profitability of its projects and have an adverse impact on its business activities, financial position, earnings, or future outlook. Furthermore, a growing portion of Alstom's order backlog includes significant contracts that can impose manufacturing or purchasing requirements in countries in which the project is being executed, particularly in emerging countries such as South Africa, India or Brazil, but also in other countries such as the United States or Russia. In order to win contract bids and to complete the projects associated with these contracts, Alstom must build local production capacities or secure or increase its volume of third party purchases from new local suppliers. At times, these contracts also restrict Alstom's freedom to select its own partners, which can lead to constraints regarding costs, refinancing, target volumes and execution. Finally, the political instability that exists in certain countries can have an impact on the public entities with which long-term contracts are signed and, as a result, have the consequences mentioned above.

TECHNOLOGICAL INNOVATION

The Group designs and manufactures high-technology solutions in the rail transport sectors. These markets are already extremely competitive with historical players and newcomers from the emerging countries are entering the market.

The Group develops modular and flexible offers covering components to complete systems in order to meet customers' expectations. This positioning puts technological innovation as a key lever for competitiveness.

The markets in which the Group operates quickly evolve with the development of new technologies, products and services; their transformation is enhanced by newcomers especially from the fields of digital and big data. Alstom has to anticipate these changes and integrate new technological enablers or new solutions into its sales offer. This requires, on the one hand, significant expenditures and investments of which the future profitability cannot be guaranteed and, on the other hand, a strategy of innovation increasingly developed through partnerships.

As part of that strategy, the Group has launched very large research and development programmes, internally and also externally, taking clearly into account the so-called digital transformation and also an increasing demand in the fields of services. These programmes are addressing:

- the renewal of its offer for railway trains and their adaptation to the needs of emerging countries;
- the development of advanced signalling systems;
- the improvement of the environmental performance of rail systems;
- the development of innovative service solutions based on predictive maintenance.

In a highly competitive environment, the Group remains however exposed to the risk that more innovative or more competitive products or services technologies are developed by competitors or introduced on the market more quickly or that the products it develops are not accepted by the market. This may have a material adverse impact on the business activities, financial position, results or future outlook of the Group.

DESIGN AND USE OF COMPLEX TECHNOLOGIES

The Group designs, manufactures and sells several high-value products and solutions of large individual value that are used particularly in major infrastructure projects. The Group is facing increasingly important expectations in terms of environmental performance. Flexibility requirements are also enhanced, resulting in significant evolution of the specifications. Alstom is required to address the evolution of customers' demands for more and more complex tenders with increasing constraints and uncertainties in homologations. Alstom is also required to introduce new, highly sophisticated and technologically complex products on increasingly short time scales. This necessarily limits the time available for testing and increases the risk of product defects and their financial consequences. It is sometimes necessary to fine-tune or modify products during the production cycle or while the client is using them. Because Alstom manufactures some of its products in series, it may then need to make such modifications throughout the production cycle. In addition to the direct cost of such modifications or of managing returned products, Alstom could be found liable for delays and corresponding operational losses suffered by its 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.

COMPLEX HOMOLOGATION PROCEDURES APPLICABLE TO TRAINS

The sale of the Alstom's products depends, most notably, on compliance with rail transportation security standards that differ widely at the global level and are governed by many regulatory authorities. This creates a complex environment, especially in Europe, and disrupts the process of securing the homologation of trains.

The process for securing the homologation of trains may last longer and be more costly than initially anticipated due to the extent of testing and other supporting technical elements required by the authorities. In the past, Alstom has faced difficulties associated with complex homologation procedures, particularly in Germany. In addition, contracts increasingly include language that requires Alstom to bear the risks and obligations associated with the homologation process. The materialisation of these risks could trigger cost overruns and the payment of significant penalties or damages, service interruptions affecting the products, or even the risk of cancellation of the contract in extreme cases of prolonged delays. However, the situation varies by country and technology.

No guarantee can be given regarding the time frame required for obtaining homologations, and any significant problem in this domain could have an adverse impact on the business activities, financial position, earnings, or future outlook of Alstom.

OPERATING **RISKS**

COSTS AND CONDITIONS OF ACCESS TO CERTAIN MANUFACTURED GOODS AND RAW MATERIALS

In the course of its business, Alstom uses raw materials and manufactured goods in amounts which vary according to the project and which may represent a significant part of the contract price signed by Alstom. Given the difficulties and delays in the delivery of certain manufactured goods and the extreme volatility of the prices of raw materials such as steel, aluminium, stainless steel or copper, the Group cannot guarantee that corresponding variations in cost will be fully reflected in contract prices, and may be unable to recoup these raw material price increases, which could affect the profitability of such contracts.

Any unexpected unfavourable evolution in this area may create a negative pressure on profit margins and adversely affect the business activities, financial position, the results or the future outlook of the Group. In addition, Alstom could be dependent on certain suppliers that satisfy the criteria set by the Group. If a dependent relationship exists, the components are clearly identified and existing suppliers are subject to action plans for development. Plans aimed at securing a larger number of supply sources are put in place and the option of having the Group manufacture these products can be envisaged. However, Alstom cannot guarantee that these development plans will prove sufficient or ensure a timely availability.

Certain suppliers or subcontractors could experience financial difficulties or be unable to comply with the quality standards or deadlines set by Alstom, or refuse to accept certain key conditions relative to the technical specifications imposed by Alstom's end client. If one of these suppliers or subcontractors fails to fulfill its obligations, or if contractual relations with one of them are severed, delivery delays, unexpected costs, or reduced technical performance that could lead to the payment of penalties or damages might occur.

Even though the Group has a system to detect these failures, Alstom cannot guarantee that it may not be affected by delays in deliveries, quality defects or the financial difficulties that its suppliers or subcontractors may face. Such events could have an adverse impact on the business activities, financial position, results or future outlook of Alstom, as well as on its reputation and that of its products.

Note 27.6 to the consolidated financial statements for the fiscal year ended 31 March 2016 presents the exposure to raw materials and manufactured goods and the management policy of this risk.

CAPITAL EMPLOYED MANAGEMENT

The structure and duration of Alstom's projects may result in the disbursement of significant sums before the contract begins to generate any cash flow. As a result, Alstom's ability to negotiate and collect customer advances and progress payments is therefore an important element of its working capital management. Unexpected events associated with the execution of the contracts signed by the Group, which are described in the various risk factors above, increase the scope of this risk. Additional information regarding customer deposits and advances and working capital are given in Notes 17, 18 and 21 to the consolidated financial statements for the fiscal year ended 31 March 2016. Finally, the development of the Group in emerging countries, often through the implementation of partnerships and third party manufacturing may also generate the risk that working capital needs or investment related to these developments further increase, particularly in the launch phase. Any unexpected discrepancy between the Group's disbursements and amounts received on orders placed, or even any reduction in the overall volume of orders placed or a deterioration of the payment terms on these orders has an automatic adverse impact on the evolution in working capital requirements and, as a result, can have a negative effect on the business activity, financial position, results or future outlook of Alstom and its cash flow needs (please refer to the section "Financial risks" below).

MANAGEMENT OF HUMAN RESOURCES

Employment market competition is fierce when it comes to hiring the highly qualified managers and specialists needed to complete the work Alstom requires, particularly in certain emerging countries. The success of Alstom's development plans depends, in part, on its ability to develop skills, to retain its employees, and to recruit and integrate additional managers and skilled employees. Alstom can give no assurance that it will be successful in recruiting, integrating and retaining such employees as needed to accompany its business development, in particular in emerging countries. Conversely the measures to adapt headcount to the evolution of demand may result in significant social risks which may have an adverse impact on the expected cost reductions and the Company production capacities.

COST REDUCTION PROGRAMMES

In recent years, Alstom has undertaken a number of continuous improvement measures (costs reduction and adaptation of the production and non-production employee base) in order to adapt to changes in client demand, to competitive pressures, and to improve its operating performance and, as a result, its competitiveness. These plans are aimed at reaching its profitability goals while remaining competitive on the market. Due to the intensification of competition and to an economic climate that remains uncertain and contrasted across geographic zones, Alstom is accelerating its cost reduction program through its operational excellence ambitions that constitute of the key pillars of the Alstom 2020 vision.

Staff reduction measures in markets in which demand has decreased may expose Alstom to significant social risks that could have an adverse impact on both the expected savings and the production capacities of Alstom.

Even though Alstom has reduced costs in preceding fiscal years, it cannot be guaranteed that further cost reductions will enable it to reach the savings objectives set under its operational excellence initiatives, or that the measures will be implemented successfully or within the set time frame. The measures could also prove to be insufficient in the event of a sustained slowing down of the global economy. Any one of these factors could have an adverse impact on the business activities, financial position, results, or the future outlook of the Group.

RISKS IN RELATION TO RAILWAY ACCIDENTS

In the event of a railway accident involving equipment supplied by Alstom, the customer, potential victims, or their insurers could take action against Alstom in the context of legal proceedings with respect to damages suffered. Even if the cause of the accident cannot be immediately attributed to the failure of the equipment supplied by Alstom, the simple fact that Alstom supplied equipment involved in a railway accident could suffice to implicate the Group in legal proceedings for as long as the circumstances surrounding the accident have not been clarified. This type of accident may also cause the authority responsible for transportation safety to decide on the temporary cancellation of a granted homologation. Furthermore, railway accidents are typically subject to intense media coverage, which could potentially affect Alstom's reputation as well as its public image regarding the reliability of its products.

Alstom relies on many internal verification and approval procedures that enable it to control the quality and the safety of its equipment before it is made operational, in order to avoid the risk of an accident and to ensure the safety of passengers (please refer to section entitled "Risk management policy and insurance").

Despite the existence of these procedures, Alstom cannot guarantee that railway safety will be risk-free. The occurrence of a railway accident involving equipment supplied by Alstom could, in the event that equipment failure is found to be the cause of such accident, have an adverse impact on the business activities, financial position, earnings, or future outlook of Alstom, as well as on its reputation and that of its products.

INFORMATION SYSTEMS AND TECHNOLOGY RISKS

The Group relies on state of the art information systems and technology to support its business activities and promote operational efficiency. The Group's broad geographic footprint, its diverse businesses and ranges of products, the integration of successive business activities and since November 2015 the separation of the infrastructure, systems and solutions from the ones integrated by General Electric with the Energy activities acquisition all makes for a complex environment. More specifically, the Group has entered into Transition Services Agreements with General Electric, more specifically described on page 194, in order to continue benefiting from the access to certain IT solutions that are run by General Electric in the current transition phase. The Group has also set up partnerships to carry out the management of its IT infrastructures and the support of solutions.

The main issues relating to the information systems and technologies used by the Group are ensuring business continuity, protecting sensitive data and intellectual property rights, maintaining systems availability and managing IT assets compliance.

Within the framework of a centralised management of the Group's information systems and infrastructures, Alstom develops global common practices to reinforce the control and security of information technology within the Group, including when facing the risk of a cyberattack. The technologies used to gain unauthorised access, damage or sabotage systems change frequently and are often not recognised before being launched against their target.

Alstom has defined risk management rules, particularly with respect to data protection, access to confidential data, security of its solutions and infrastructures, and Alstom has so far not experienced significant difficulties in this area. However, Alstom can give no assurance that these rules will be sufficient to prevent any risks in this domain, and the occurrence of complications affecting any one of them could have an adverse impact on the business activities, financial position, results or the future outlook of the Group.

Beyond separating the information infrastructure, systems and solutions from those taken over by General Electric, Alstom is also involved in a multi-year programme for the renewal of certain of its important solutions aimed at adapting the planned obsolescence of systems, deploying standardised solutions for its main units and rationalising its operation processes. The magnitude of these transformation programmes and the complexity of the environment create an intrinsic risk, which precludes Alstom from guaranteeing, without reservations, that its objectives will be reached within the set time frame, the quality level, and the allocated budgets.

Alstom cannot guarantee that the technological level of the information systems it uses will be appropriate given its business activities and development projects, or that these systems will not be subject to technical failures. In addition, the external service providers contracted for these projects could prove unable to meet their objectives.

In the event that the systems used by Alstom do not operate at a satisfactory level, this could alter the quality of its products and result in claims being filed against it, a deterioration of the brand and, more generally, of its reputation. In addition, technical failures or unsatisfactory levels of performance of the information systems used by Alstom could require additional investments, which could affect the financial position and results of Alstom.

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

RISKS IN RELATION TO ENVIRONMENTAL, HEALTH AND SAFETY REGULATIONS

Alstom's business activities are industrial activities involving potentially dangerous processes and pollutants, which are used not only in its factories, but also during the construction phase of the projects in which it participates, as well as in the context of the services it offers. Alstom is subject to a broad range of laws and regulations relating to environment, health and safety in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental and employee protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and depollution, working conditions, exposure to hazardous chemical agents, compliance with applicable regulations for machines and equipment used for fire safety purposes. These standards expose Alstom to the risk of substantial environmental costs and liabilities, including in relation to divested assets and past activities.

In most of the jurisdictions in which Alstom operates, its industrial activities are subject to obtaining permits, licences and/or authorisations, or to prior notification. Alstom's facilities must comply with these permits, licences or authorisations and are subject to regular inspections by competent authorities. Alstom believes that its facilities are in compliance with their operating permits and that its operations are generally in compliance with environmental laws and regulations.

The Group invests to conduct its business activities while reducing the risk of harm to the environment or health and safety of its employees. The Company regularly makes the necessary investments to meet the requirements of the regulations in force.

Alstom uses in its manufacturing processes chemical agents or manufacturing components that include chemical agents. Regulatory changes (such as the REACH regulations in Europe or other equivalent regulations particularly in the United States, in China and in Russia) could ban these products from the European market or the world market. This could force Alstom to modify its manufacturing processes, face interruptions in supply, carry out chemical substance substitution programmes, or offset the lack of availability of the spare parts necessary for the maintenance of its products and, as a result, could generate significant cost overruns that are not currently quantifiable. Alstom implements monitoring processes in order to anticipate these risks, but yet cannot guarantee that its entire supply chain does the same, and cannot anticipate all of the regulatory changes that might occur in the future.

The regulations and technical norms applicable to the market introduction of railway systems impose increasingly stringent guidelines regarding the environment in countries in which Alstom operates. These requirements could trigger significant investments or impose technical constraints, which could affect the financial position and earnings.

It is not possible to provide any assurance that Alstom will not be required to bear the costs of or will not be found liable for environmental matters, including in relation to past cases of pollution caused by third-parties, past activities or assets sold, to the business activities of its subsidiaries or subcontractors, or to its obligations concerning health and safety. Furthermore, Alstom cannot guarantee that amounts budgeted or provisioned for renovations and investments in projects associated with the environment, health and safety will be sufficient enough to cover such an unforeseen expense or necessary investment. In addition, the discovery of new conditions or facts, or future changes in environmental, health and safety laws, regulations or case law may result in increased liabilities or the required costs to bear that are likely to have a material effect on the business activities, financial position, earnings or future outlook of the Company, as well as on its reputation.

Alstom has provisions of €32 million to cover environmental risks linked to its activities as of 31 March 2016.

SPECIFIC RISKS ASSOCIATED WITH HEALTH AND SAFETY

The wide scope of safety norms and regulations in the countries in which Alstom operates, the diversity of the locations in which it operates (such as factories, infrastructure worksites, or railway network), as well as the potential application of different safety standards by Alstom's partners and clients, create risks that could lead to serious accidents. These risks could potentially cause harm to human lives or to the physical integrity of persons. Such risks can also trigger various criminal, civil or administrative sanctions, including the temporary shutdown of an installation while authorities conduct their investigation.

Although Alstom has developed strict rules on health and safety, and conducts training sessions and audits to minimise these risks, their occurrence cannot be totally excluded. These elements could have an adverse impact on the business activity, financial position, earnings or future outlook of the Company, as well as on its reputation.

Furthermore, Alstom has been the target of statements on behalf of employees alleging work-related illnesses caused by past exposure to asbestos, as well as legal action under which compensation is sought based on claims of an alleged exposure to asbestos as indicated under the Note 30.2 to the consolidated financial statements for the year ended 31 March 2016. Alstom cannot guarantee that no new liability cases will be filed against it in France or outside of France on behalf of current or former employees who may have been exposed.

More generally, Alstom's business activities could expose employees to substances that are not currently considered as likely to cause health problems but that could, as our knowledge evolves, be analysed differently in the future and lead employees to investigate the potential liability of Alstom in the future. Similarly, it is important to note that regulations setting the tolerance levels and thresholds for the exposure to certain substances have become increasingly stringent and call for levels that are lower than those specified in applicable regulations with which Alstom complies. The surveillance and security procedures implemented by Alstom or changes in regulations can also lead Alstom to relinquish the use of certain substances currently considered risk-free, to modify its industrial installations, or to make significant investments, which could generate additional costs that are not currently quantifiable. These factors could potentially have an adverse impact on the business activities, financial position, earnings, or future outlook of Alstom, as well as on its reputation.

FINANCIAL **RISKS**

CURRENCY EXCHANGE, INTEREST RATE, CREDIT AND LIQUIDITY RISKS

The Group is significantly exposed to currency exchange risks. Note 27 to the consolidated financial statements for the fiscal year ended 31 March 2016 presents the Group's exposure and sensitivity to currency exchange and interest rate, the exposure to credit and liquidity risks, as well as the management policy of these risks. Detailed information on the Group financial debt amounting to €2,504 million as of 31 March 2016 is also given in Note 26 to the consolidated financial statements for the fiscal year ended 31 March 2016.

Currency risk

Operational risk

In the course of its operations, the Group is exposed to transaction currency risk arising from tenders submitted in foreign currency, awarded contracts and any future cash out transactions denominated in foreign currency. Transaction currency risk exists when the currency of the contract or disbursement is different from the functional currency of the subsidiary concerned by the offer or contract. Main currencies triggering a significant exposure for the fiscal year ended 31 March 2016 are the American Dollar, the South African Rand, the Australian Dollar and the Indian Rupee on the export side, the Polish Zloty and the Brazilian Real on the import side. The hedging set by the Group during tender periods or during contract execution is presented in Note 27.2 to the consolidated financial statements for the fiscal year ended 31 March 2016.

All hedges are negotiated by ALSTOM Holdings acting as the central treasury of the Alstom Group ("Alstom Treasury Center") and mirrored with an internal hedge contract between Alstom Treasury Center and the relevant exposed subsidiary. When local regulations do not allow internal hedges, hedging contracts are recorded directly between banks and the Group's local legal entities under supervision of Alstom Treasury Center.

Although the Alstom's policy is to systematically hedge its foreign currency risks and if almost all hedging instruments qualify for hedge accounting, changes during the performance of contracts can lead Alstom to terminate some hedges or take new ones. No assurance can be given that these hedges will be sufficient.

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 as of 31 March 2016.

(in € million)	Consolidated net equity
US Dollar	247
Brazilian Real	146
Chinese Yuan	81
Euro	2,395
Russian Rouble	202
Sterling	87
Other currencies	170
TOTAL	**3,328**

The following table shows the sensitivity of the Group consolidated sales to a change in the exchange rate of the currencies below:

	Impact on sales *(in € million)*	
Fiscal year 2015/16	**Variation of 1%**	**Variation of 5%**
US Dollar	6.0	30.1
Brazilian Real	1.6	8.1
Russian Rouble	0.3	1.5
Chinese Yuan	0.9	4.5
Sterling	6.7	33.7

In the fiscal year ended 31 March 2016, the change in exchange rate had an impact of €66 million on the amount of consolidated sales of Alstom.

The following table shows the sensitivity of the Group equity to a change in the exchange rate of the currencies below:

	Impact on equity before tax *(in € million)*	
Fiscal year 2015/16	**Variation of 1%**	**Variation of 5%**
US Dollar	9.1	45.7
Brazilian Real	1.5	7.3
Russian Rouble	2.0	10.1
Chinese Yuan	0.8	4.0
Sterling	0.9	4.4

In the fiscal year ended 31 March 2016, the change in exchange rate had an impact of €(262) million on Alstom's equity.

Liquidity risk

In addition to its available cash and cash equivalents, amounting to €1,961 million as of 31 March 2016, the Group has a €400 million Revolving Credit Facility initially maturing in June 2020, recently extended to June 2021, with one remaining possible one-year extension, which was fully undrawn as of 31 March 2016. This facility has been sized taking into account the possible volatility of the working capital of Alstom's project portfolio. After a €875 million early redemption of outstanding bonds resulting from the tender offer launched in February 2016, the Group €2,504 million gross debt is now mainly concentrated on the following maturities:

BONDS ISSUANCE MATURITIES

Instrument	Amount *(in € million)*	Maturity	Nominal Interest rate
Capital market			
Bonds	453	1 February 2017	4.125%
EMTN	272	11 October 2017	2.250%
Bonds	371	5 October 2018	3.625%
EMTN	283	8 July 2019	3.000%
Bonds	596	18 March 2020	4.500%

Based on cash and cash equivalents currently available, expected operational cash flows together with its ability to exercise the puts granted by General Electric on the Energy JVs, the Group believes it has ample liquidity to redeem its outstanding debt.

The ability to obtain sufficient sources of bonding is for the Group a condition to bidding, obtaining new orders and receiving advances and progress payments from the clients.

The Group benefits from a €3.5 billion committed bonding guarantee facility with five Tier-One banks allowing for the issuance of up to seven years bonds until 1 November 2018 (the "Committed Bonding Facility"). As of 31 March 2016 the available amount under the Committed Bonding Facility was €1.1 billion. In addition the Group has the ability to issue bonds from non-committed bilateral lines in numerous countries (as of 31 March 2016, €5.8 billion were drawn from these bilateral facilities).

The Revolving Credit Facility and the Committed Bonding Facility (together the "Facilities") are subject to the following financial covenant on the basis of consolidated data, also disclosed in Note 27.5 to the consolidated financial statements for the fiscal year ended 31 March 2016. Alstom complied with this covenant as at 31 March 2016.

Covenants	Maximum total net debt leverage (1)
	2.5

(1) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as of 31 March 2016 is 0.6.

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 positive)
Standard & Poor's (2)	
Short-term rating	A-3
Long-term rating	BBB- (outlook negative)

(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 and then from negative to positive on 25 June 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, and then revised the long-term outlook from stable to negative on 23 December 2014.

As of today the Group believes it faces no major risk to its access to financial markets. Any downgrading of Alstom's rating would unfavourably impact the financial conditions of the Group's financings and the access to certain financings and to bonding capacities. This may result in a substantial deterioration of the Group's financial and commercial situation.

Additional information regarding the specific management of financial risks is presented in the Chairman's report in the section "Corporate governance".

Interest rate risk

The Group has had a fixed-rate debt policy: although a large amount of bonds has been redeemed, including through a tender offer, shortly after the General Electric transaction completion, the Group indebtedness as of 31 March 2016 was mainly made up of fixed interest bonds with high historical coupons. On the opposite, the excess cash of the Group is mainly invested in euro short dated deposit or money market funds indexed on floating rates: the Group is therefore exposed to further lowering of euro short term rates until the gross debt is finally repaid. Also, the Group does not implement a policy of active management of its interest rate risk, it may enter into derivatives in order to hedge its interest rate risk on a case-by-case basis according to market opportunities. Additional information is given in Note 27.3 to the consolidated financial statements for the fiscal year ended 31 March 2016.

In addition, the Group is also exposed to the fluctuations of interest rates through its foreign exchange hedging policy: although the Group tends to match the tenor of the hedging instruments with the maturity of the underlying operational cash flow, some emerging currencies may prove difficult or too costly to be hedged over the long term. The Group may therefore decide to hedge its exposure over shorter periods and incur the risk of increased costs of carry when rolling over its forex derivatives.

Credit and/or counterparty risk

Credit risk and/or counterparty risk is the risk that one party to a contract with Alstom fails to meet its contractual obligations, causing a financial loss for Alstom.

To reduce its exposure in this area, Alstom analyses credit risks and political risks over 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 Group's consolidated sales as indicated in Note 4.4 to the consolidated financial statements for the fiscal year ended 31 March 2016. Alstom also analyses the financial solvency of its partners, suppliers and subcontractors to assess their financial capacity to meet their contractual obligations. Regarding banking counterpart risk, the Group cash and cash equivalents are entirely invested in deposits with Tier One banks and diversified money market funds with limited embedded credit risk. The Group maintains committed bonding and revolving credit facilities with Tier One banks. However, among Alstom's counterparties (including clients, partners in consortium or in joint venture, suppliers and subcontractors), a significant credit and/or political risk deterioration may occur during contract execution which may cause them to be unable to pay upon delivery, or to stop an ongoing order. Cancellation of orders may also occur. These risks could have adverse effects on revenues, profitability, financial position or the results of the Group.

EQUITY RISKS

In the context of its current cash management, Alstom does not invest in equity shares (apart from shares of money market funds) upon closing of the disposal of the Energy activities, Alstom invested minority stakes (fifty per cent minus one share for the Grid and Renewable Power JVs and twenty per cent minus one share for the Nuclear & French Steam JV) in three Energy Joint Ventures (Notes 1 and 12.1 to the consolidated financial statements for the fiscal year ended 31 March 2016) for a total amount of €2.4 billion: the equity risk associated with these holdings is protected by put options granted by General Electric at pre-determined value, that may be exercised in September 2018 and September 2019 for the Grid and Renewable Power JVs. Alstom has to finance pension plans in several countries (mainly in the United Kingdom and in Germany) in which a portion of their assets is invested in equity securities. Any change in the stock market may have an impact on the valuation of the assets and hence on the Company's shareholders' equity and liquidity needs. Alstom considers that it has no other significant exposure to equity risks than those relating to defined benefit pension plans described below. See also Note 22 to the financial statements for the fiscal year ended 31 March 2016.

RISKS IN RELATION TO PENSION PLANS

Pursuant to certain defined benefit schemes, notably in the United Kingdom and in Germany, Alstom is committed to providing cash to cover differences between the market value of the plan's assets and required levels of coverage for such schemes over a defined period. Alstom projected benefit obligations are based on certain actuarial assumptions that vary from country to country, including, in particular, discount rates, rates of increase in compensation levels and rates of mortality.

Changes in market conditions may change substantially, up or down, the financial coverage of Alstom's obligations on pensions (see above). Thus, unfavourable market conditions may have a negative effect on the Company's financial position. As at 31 March 2016, net provisions for pension obligations totalled €486 million.

Further details on the methodology used to assess and to allocate pension assets and liabilities together with the annual pension costs are included in Notes 2.3.21 and 25 to the consolidated financial statements for the fiscal year ended 31 March 2016.

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

RISKS IN RELATION TO INTANGIBLE ASSETS

Intangible assets of Alstom activities consist primarily of goodwill and capitalised development costs. As of 31 March 2016, goodwill of Alstom activities amounted to €1,366 million (see Note 10 to the consolidated financial statements for the fiscal year ended 31 March 2016) from the acquisition of companies in recent years. As of 31 March 2016, the capitalised development costs of activities amounted to €210 million from the resources generated by the Group to develop new technologies/ products. Intangible assets are increasing this year due to the acquisition of General Electric Signalling activities within the General Electric transaction and due other smaller acquisitions. Every year, the Group tests for the impairment of its non-amortised intangible assets. In addition, the Group also carries out impairment tests if an event likely to cause the impairment of certain capitalised development costs occurs. Alstom believes that its consolidated financial statements give a true picture of its assets with respect to the IFRS rules. However, the Group cannot exclude that future events, unpredictable by nature, are likely to result in the impairment of certain intangible assets on its balance sheet. Significant impairments (following changes in market appreciation, development opportunities, growth rate or profitability, resulting from either external or internal factors to the business activity) could have an adverse effect on the assets, financial position and results of the Group. The disposal of Energy activities being completed, the risks related to the disposed Energy assets does not exist anymore.

RISKS IN RELATION TO DEFERRED TAX ASSETS

As of 31 March 2016, the deferred tax assets of the Group amounted to €242 million (see Note 8 to the consolidated financial statements for the fiscal year ended 31 March 2016). 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. As at 31 March 2016, the Group reassessed its ability to recover tax losses over a long-term period in each country and consequently adjusted the net deferred tax assets position on its balance sheet.

RISKS IN RELATION TO **ACQUISITIONS, DISPOSALS** AND OTHER **EXTERNAL GROWTH OPERATIONS**

As part of its development strategy, Alstom may complete acquisitions of businesses and/or companies, as well as joint ventures and partnerships. The Group has notably implemented an important number of joint ventures and partnerships in emerging countries, in particular Russia, Kazakhstan, Algeria, India, South Africa and China, in order to enter and develop these new markets. The Group has also acquired in 2015 General Electric's Signalling business and has created joint-ventures as part of the transactions with General Electric mentioned below.

These operations include risks, in particular in relation to the difficulties that may arise in evaluating assets and liabilities relating to these operations, in integrating people, activities, technologies and products, in implementing governance and compliance systems and procedures, as well as in relation to potential political or economic instability depending on the countries as the case may be. Although the Group monitors the risks relating to these operations, no assurance can be given that acquired businesses or companies do not contain liabilities which were not identified at the time of the transactions for which Alstom would have no or insufficient protection from the seller or partner.

No assurance can also be given that such acquisitions, joint ventures and partnerships may not result in additional financing needs, increased acquisition and integration costs, as well as industrial property risks, disagreements or deadlocks between partners, or that the actual financial performance shall be in line with the original assumptions. Thus, the risks associated with the valuation, as well as undeclared liabilities and the integration of operations (management of complex procedures for the integration of employees, products, technologies and other assets of the acquired company to ensure expected value and expected synergies) may be significant. The occurrence of such events is likely to have an adverse effect on the business activities, financial position, results or future outlook of Alstom.

Moreover, in joint ventures in which Alstom is a minority participant, no assurance can be given about the long-term ability of the Group to benefit from access to the operational activities of the joint venture. Alstom is not involved in daily operations of the legal entities in which it is a minority participant, and can therefore only have limited knowledge of their activities and performances.

Certain businesses activities of the Group have been disposed of in the past, are being sold or could be sold in the future. As applicable, Alstom may make or may have made certain warranties or retained certain contracts and liabilities regarding the business activities sold. As a result, it cannot be excluded that the Group may be required to bear increased costs on retained contracts and liabilities, to pay indemnities or purchase price adjustments to the acquirer, or, even in the case where the liabilities associated to the business activities sold are transferred to the acquirer, to be required to bear some of these liabilities. The occurrence of such events may have a material adverse effect on Alstom's results and financial position.

RISKS IN RELATION TO THE TRANSACTIONS WITH GENERAL ELECTRIC

Alstom and General Electric signed on 4 November 2014 a set of agreements, related to the sale of the Alstom's Energy businesses, namely Power (electricity generation) and Grid (the "Energy activities"), as well as shared and central services of Alstom. These agreements included also the investments in three joint ventures, in the Nuclear (20% minus one share), Grid (50% minus one share) and Renewables activities (50% minus one share). The transaction was completed on 2 November 2015 after the finalization of carve-out operations of the Energy activities and the receipt of the competition and regulatory authorisations.

Alstom has, for each of these joint-ventures, a put option (exercisable in September 2018 or in September 2019 for the Grid and Renewable joint ventures, and during the first quarter of years 2021 and 2022 for the nuclear joint venture) at a price based on a formula related to results, provided such price shall not be lower than that of Alstom's acquisition of the joint venture shares plus 2% or 3% per year, as applicable, from the closing of the sale of the Energy activities to General Electric.

By taking over Alstom's Energy activities, General Electric undertook to assume all risks and liabilities exclusively or predominantly associated with said businesses and in a symmetrical way, Alstom undertook to keep all risks and liabilities associated with the non-transferred business. Cross-indemnification for a duration of 30 years and asset reallocation ("wrong pocket") mechanisms have been established to ensure that, on the one hand, assets and liabilities associated with the Energy businesses being sold are indeed transferred to General Electric and on the other hand, assets and liabilities not associated with such businesses are borne by Alstom.

In connection with the foregoing liability allocation and indemnity principles, it is worth nothing that General Electric has undertaken to effect the replacement of an important number of bank guarantees and parent company guarantees that had been issued by Alstom or its affiliates in connection with projects and/or entities transferred to General Electric as part of the transaction. Alstom cannot warrant that the replacement of these guarantees will be fully completed within the envisaged time frame or that there will be no time gaps between indemnity recourse and indemnity compensation in case of third party actions.

The acquisition by Alstom of the General Electric Signalling business was completed on 2 November 2015. According to the agreement, General Electric has provided limited representations and warranties. As a result and while certain due diligences were performed, it cannot be excluded that certain risks could arise in the acquired General Electric Signalling business, which could not be identified at the time of carrying out the due diligences formalities.

Alstom cannot ensure that no problems will arise in relation with the potential enforcement of indemnifications provided between the parties under the agreement, nor that such problems could not lead to significant negative impact on Alstom's business and/or results and financial situation.

LEGAL AND TAX RISKS

This section is to be read in relation to Note 30.2 to the consolidated financial statements for fiscal year ended 31 March 2016.

RISKS IN RELATION TO LEGAL AND TAX REGULATIONS

Legal regulations

Alstom's business activities are conducted in a varied, complex and changing legal and regulatory environment that covers both national and international areas. Due to its established presence in many countries, Alstom is subject to national legislation, particularly that resulting from the transposition of international treaties as well as to international norms and standards. This is especially the case in the area of i) competition laws, ii) data privacy regulations and iii) legislation relating to the fight against corruption and money laundering. These latter regulations have not only considerably widened their scope and gained in strength in recent years, for example, with the 2010 ratification of the UK Bribery Act (British law on repression and the prevention of corruption ratified by the British Parliament on 8 August 2010 and effective on 1 July 2011), but authorities and jurisdictions responsible for their application have also increased their efforts to hunt and track down offenders and have enforced increasingly tougher sanctions.

Despite the measures Alstom has taken to comply with the regulations applicable to its business activities, it cannot guarantee that it will remain risk-free in this regard. If the Group or its employees were to commit any voluntary or involuntary act in breach of, or non-compliance with, applicable provisions and guidelines, this could potentially cause civil, criminal, or administrative liability issues for the Group, exclude or eliminate the Group from project bidding or manufacturer selection procedures, or even prohibit the Group from accessing public contracts or exercising its business activities and, as a result, have an adverse impact on its business activities, financial position, earnings, or future outlook, as well as on its reputation.

Tax regulations

Due to its established presence in many countries, Alstom is subject to many different national tax laws. Insofar as the tax laws and regulations in force in the various countries in which Alstom conducts its business activities do not always provide clear and definitive guidelines, Alstom's structure, the operation of its business, and its tax regime are based on its interpretation of laws and regulations applicable with respect to fiscal matters. Alstom cannot guarantee that these interpretations will not be questioned by the relevant tax authorities or that the laws and regulations applicable in certain countries will not be subject to changes, fluctuating interpretations, and contradictory applications. More generally, any violation of the tax laws and regulations of countries in which the companies of the Group are located or operate could trigger tax reassessments, or the payment of late fees, fines, and penalties. These measures could have an adverse impact on the tax rate, cash position, results or future outlook of Alstom.

EXPORT CONTROL

The act of exporting products from the markets in which they are produced can be restricted or subject to checks or to the receipt of an export licence. Certain countries are subject to export control regulations, embargoes, economic sanctions or other forms of trade restrictions imposed by the U.S.A, Canada, the European Union or other countries or organisations (the "Sanctions"). These Sanctions or expanded Sanctions imposed on countries may restrict or prevent the business of the Group in such countries or result in amendments of the Group's policies and practices.

No assurance can be given that checks on export goods, to which the Group is subject, will not be made more stringent, that new generations of products developed by the Group will not also be subject to similar checks, or even more rigorous checks, and that geopolitical factors or changes in the international context will not prohibit the receipt of export licences for certain customers or will not reduce the Group's ability to execute previously signed contracts. Limited access to exported goods could have an adverse impact on the business activities, financial position, earnings, or future outlook of the Group.

RISKS WITH RESPECT TO INTELLECTUAL PROPERTY

With respect to intellectual property, Alstom is mainly exposed to two categories of risks: risks associated with technology transfers and licensing agreements and risks of third party intellectual property rights violations which could lead to legal actions being taken against Alstom.

Every year, Alstom commits significant investments to innovation and research and development in order to offer the state-of-the-art products and technologies necessary for its business and for preserving the competitiveness of its offer. Protecting Alstom's intellectual property rights is necessary in the context of heightened competitiveness and market globalisation. Therefore, Alstom is a key player in the domain of innovative partnerships and the protection of innovation through patents. Alstom has negotiated and set up licenses for technologies, patents, or know-how in order to avoid dependency on third party rights.

However, Alstom cannot guarantee that its patents and other intellectual property rights provide adequate protection, or that the application of its guidelines concerning technology transfers will shelter it from all potential risks.

The risks of violating third party intellectual property rights is handled through technological monitoring programmes and patents (published patent requests and granted patents), and by acknowledging the existence of such third party patents while executing research and development programmes.

DISPUTES IN THE ORDINARY COURSE OF THE GROUP'S BUSINESS

The Group is involved in court, administrative or arbitration proceedings in the context of its regular business activities. These contract-related disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large and long-term projects. Additional information is given in Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2016.

In addition, the Group cannot guarantee that new litigation procedures will not surface, and the risk of which cannot, therefore, be determined or quantified as of today. These procedures could cause significant uninsured losses or losses exceeding the insurance coverage caps of purchased policies, as well as the amount of provisioned for losses incurred in connection with this litigation. These procedures can also harm the reputation or the image of the Group. Furthermore, any disputes with customers could affect on-going existing commercial relationships with these customers, and affect the Group's ability to sign new contracts with these customers. As a result, such procedures could have an adverse impact on the business activities of the Group, its financial position or its earnings.

ALLEGATIONS OF ANTI-COMPETITIVE ACTIVITIES AND ILLEGAL PAYMENTS

The Group is subject to procedures for alleged anti-competitive practices described in Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2016. Anti-competitive practices can lead to significant sanctions, such as fines, the payment of damages, criminal charges, civil proceedings, sales restrictions, or statutory prohibitions such as a temporary ban on making project bids. Any business restriction or sanction could have an adverse impact on the business activities, financial position, earnings, or future outlook of the Group.

Certain companies and/or current or former employees of the Group are currently being investigated and/or subject to procedures in various countries by judicial or administrative authorities or international financial institutions with respect to alleged illegal payments. The Group cooperates with the concerned authorities and institutions. These procedures and investigations are described in Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2016.

At this stage, Alstom is not able to predict the outcome of the on-going procedures and investigations. These procedures and investigations, as well as any future procedures and investigations that may take place, could result in criminal sanctions, fines that could be significant, the payment of damages, the implementation of compliance programmes and other corrective measures, as well as a potential ban on Alstom's subsidiaries, preventing them from conducting all or part of their business activities or participating in public markets in certain countries, for periods of varying lengths. Civil actions are also possible. Such procedures could also prevent the Group from taking advantage of certain sources of financing. The Group could also record significant provisions in respect of these procedures.

On 22 December 2014, Alstom reached an agreement with the US Department of Justice (DOJ) which resolved the investigations into alleged violations of the U.S Foreign Corrupt Practices (FCPA) conducted by the DOJ for several years on foreign subsidiaries of the Group. For more information, see also Note 30.2 to the consolidated financial statements for the fiscal year ended 31 March 2016. After many years of investigations and extensive discussions with the US authorities, two former US subsidiaries, Alstom Power Inc. and Alstom Grid Inc. (formerly known as Alstom T&D Inc.), have agreed to enter into deferred prosecution agreements with the DOJ relating to FCPA charges. Given that these former US subsidiaries are now held by General Electric following the sale of the Energy activities to General Electric, the management of their deferred prosecution agreements is handled by General Electric. Another Alstom subsidiary, Alstom Network Schweiz AG (formerly known as Alstom Prom AG), has agreed to plead guilty to FCPA antibribery charges. In relation to these underlying charges, ALSTOM has agreed to plead guilty to violating the books and records and internal controls provisions of the FCPA and to pay a fine of approximately USD 772 million. The Group recorded a provision of approximately €720 million in the accounts for the fiscal year ended 31 March 2015. The plea agreements have been approved by the competent US court on 13 November 2015 and the fine has been paid on 23 November 2015.

Alstom has made significant progress in the area of compliance. The conduct referred to in the agreement with the DOJ mainly arose from the use of external success fee based sales consultants hired by Alstom to support its commercial teams. In order to ensure that Alstom strives for the best compliance procedures, Alstom has discontinued the hiring of such sales consultants. Further, pursuant to a negotiated resolution agreement with the World Bank dated 21 February 2012, Alstom committed to continue to improve its internal compliance programme, including by retaining a monitor to oversee its efforts in this regard. On 21 February 2015 the World Bank determined that Alstom has implemented a corporate compliance program in line with the World Bank's integrity compliance policies and practices. The World Bank also concluded that Alstom has satisfied all of the other conditions of its 21 February 2012 settlement agreement. As a consequence, and although the companies which are the subject of the DOJ agreements will have the obligation to maintain an adequate compliance programme and have self reporting obligations, they will not be required to engage any compliance monitor.

The Group's implication in investigations and procedures concerning anti-competitive or corruption practices, or any other illegal activities, as well as any harmful development relative to these investigations and procedures, including possible civil action, could have a significant adverse impact on the reputation and image of the Group, as well as on the business activities, results and financial position of the Group, particularly considering the severity of the sanctions that can be imposed in this domain.

Strict procedures are in place to ensure compliance with all laws and regulations, and in particular those relating to competition rules and prohibited payments. As part of this objective, the Group communicates to each employee the Alstom Code of Ethics, which prescribes strict compliance with rules of conduct to prevent in particular anti-competitive activities and corruption and which highlights the Alert Procedure and the role of Alstom employees in this area, and conducts training programmes and international communication tools. The Group's internal control rules and procedures to manage the risks linked to illegal activities and anti-competitive practices have been constantly reinforced over the last years and Alstom actively strives to ensure that it appropriately addresses any problems that may arise.

However, given the extent of its activities worldwide, Alstom cannot be assured that such difficulties will not arise or that such difficulties will not have a material adverse effect on its reputation and/or results and financial position. For more information on the internal control system put in place within the Group, the Alstom Code of Ethics and the measures taken by the Ethics & Compliance Department and the Legal function to prevent illegal activities and anti-competitive practices, see sections "Corporate governance – Chairman's report – Internal control and risks management procedures' report – Ethics & Compliance Department" and "Corporate governance – Chairman's report – Internal control and risks management procedures' report – Legal function".

RISK MANAGEMENT POLICY AND INSURANCE

Alstom's Internal Control Department annually updates its risk map in the context of the three-year plan reporting cycle and the preparation of the annual budget.

The risk management policies are described in section "Corporate Governance – Chairman's report – Internal control and risk management procedures' report".

Insurance

The Group policy is to purchase insurance policies from insurers presenting excellent solvency criteria. The amount of insurance purchased varies according to Alstom's estimation of the maximum foreseeable loss, both for Property Damage & Business Interruption as well as for Civil Liability Insurance.

This estimate is made within the framework of Industrial Risk Management Audits that are conducted for property damage and business interruption. For civil liability, the estimation of insurance needs depends on the evaluation of the maximum legal risk considering the various Group activities. The annual risk assessment process which results in the Group risk mapping, has allowed the Group to confirm that the appropriate level of insurance was purchased for insurable risks. For more information see also section "Corporate governance – Chairman's report – Internal control and risk management procedures' report".

The main risks covered are the following, subject to certain customary limitations, exclusions and declarations in relation of each type of insurance:

- property damage and business interruption caused by fire, explosion, natural events or other perils as well as machinery breakdown;
- liability incurred because of damage caused to third parties by operations, products and services;
- transit, covering transportation risks from start to unloading of goods at warehouse, construction site or final destination; and
- construction and installation, covering risks during execution of contracts.

In addition to these Group policies, Alstom purchases, in the various countries where it is present, policies of a mandatory nature or designed to cover specific risks such as automobile, worker's compensation or employer's liability.

The presentation below is a summary of the main Group insurance policies and does not reflect all applicable restrictions and limits. These policies are usually negotiated for one- to two-year periods. For reasons of confidentiality and protection of the interests of the Group, it is not possible to describe exhaustively all policies.

Property damage and business interruption

The insurance programme covers 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 €450 million per event;
- sub-limits apply in particular for natural events (these sub-limits vary according to the insured sites and the type of events) for machinery breakdown and accidental events other than those named in the policy;
- coverage is subject to usual limitations and exclusions, in particular: war, civil war, terrorism, nuclear reaction, and certain natural events normally insured in national pools;
- the policy is in force in all countries where the Group has significant industrial sites with the exception of India where a specific local policy is in place.

Civil liability resulting from operations or products and services

The Group Insurance Programme covers the financial consequences of liability of the Group resulting from damages caused to third parties because of its operations or products and services:

- the programme has several layers of insurance for an overall limit of €700 million per event and in annual aggregate; sub-limits are applicable;
- the policy is subject to usual limitations and exclusions of policies of this type, in particular, war, nuclear accidents, work accidents, Directors' and Officers' liability, automobile liability, consequences of contractual obligations more stringent than trade practice, as well as damages caused by products such as asbestos, formaldehyde, lead, organic pollutants as well as those caused by toxic mould, magnetic fields and electronic viruses.

Freight transport (Cargo)

The Group Cargo policy covers damages to transported goods irrespective of the mode of transportation: sea, land or air, anywhere in the world; coverage is extended to war risks (however, some territories are excluded):

- the policy limit is €50 million per event, with sub-limits notably during storage at packers or sub-contractors;
- the policy is subject to limitations and exclusions generally applicable to policies of this type.

Damage during installation and construction

A policy with a limit of €100 million per event is in place to cover contracts. This policy covers contracts having a maximum value of €500 million and a maximum execution duration of 48 months. Contracts not covered under this policy are insured specifically according to need. Construction and Installation policies are subject to customary limitations and exclusions, in particular war, radioactive contamination. Submits apply to Natural Catastrophe coverage and terrorism.

Directors' and Officers' civil liability

The policy covers the financial consequences and defence costs incurred individually or jointly by Directors and Officers of companies belonging to the Group by reason of claims made against them for civil liability due to wrongful act committed in their capacity as Directors and Officers.

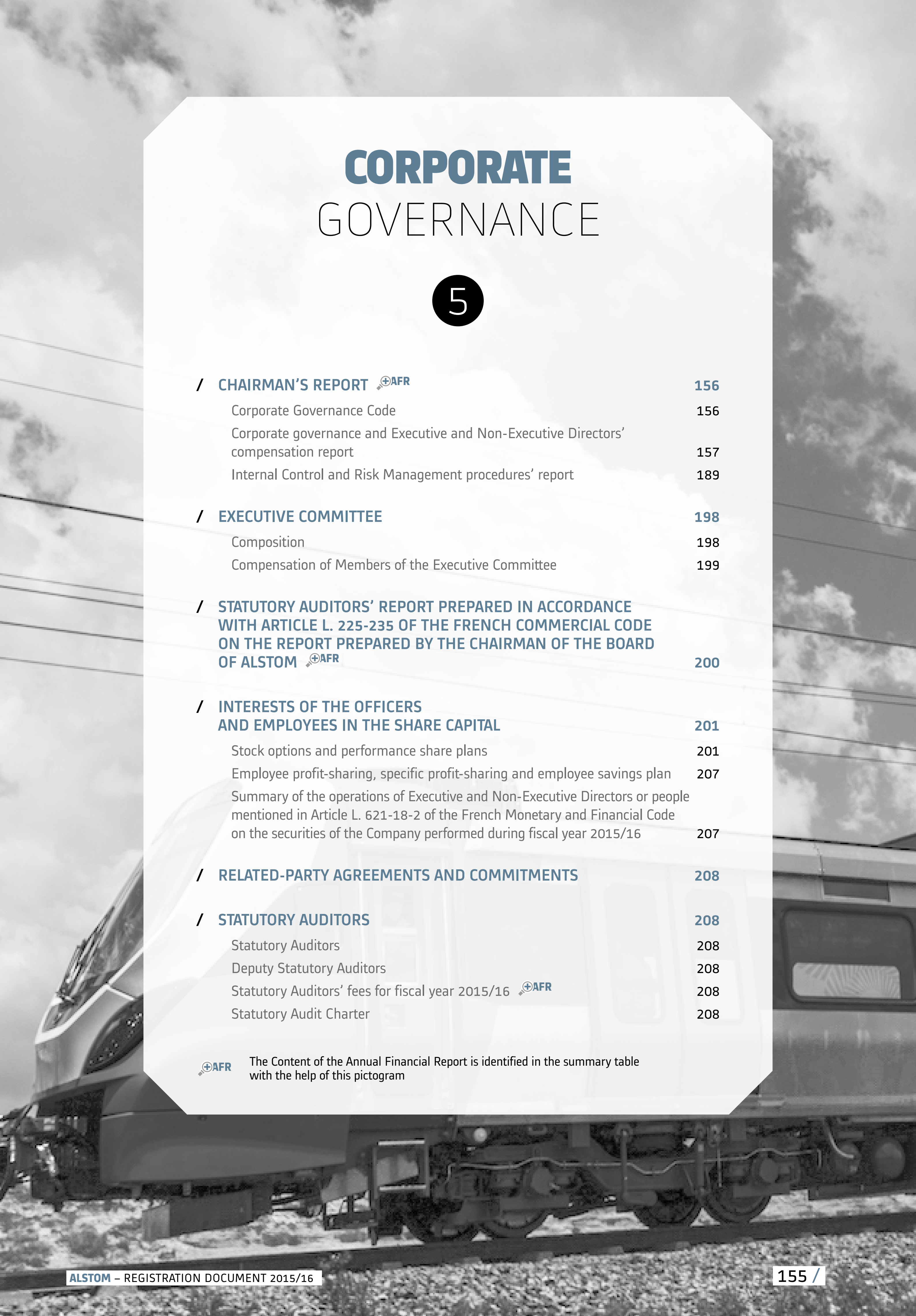
It also covers the financial consequences and defence costs incurred by the Company by reason of claims for breach of securities laws applicable to stock market operations and securities issuers in relation to securities issued by companies belonging to the Group.

This programme is subject to limitations and exclusions generally applicable to this type of insurance.

Self-insurance

The Self-Insurance vehicle previously owned has been transferred to GE as part of the sale of Power and Grid activities. The Group does not own such a vehicle since 2 November 2015.

The costs of the main Group policies represent approximately 0.5% of the annual consolidated sales for the fiscal year 2015/16.



CORPORATE GOVERNANCE

5

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

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

The latest version of the Corporate Governance Code to which the Company adheres is the AFEP-MEDEF Corporate Governance Code updated in November 2015.

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

CHAIRMAN'S REPORT

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

Pursuant to 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 2016, the composition of the Board of Directors, the application of the principle of balanced representation of men and women, the Corporate Governance Code to which the Company adheres, the conditions for the preparation and organisation of the Board of Directors' duties, the limitations that the Board can impose on the Chief Executive Officer's powers, the principles and rules set by the Board to determine the compensation and benefits of any kind to be paid to the Company's Executive and Non-Executive Directors *(mandataires sociaux),* other disclosures required pursuant to Article L. 225-37 of the French Commercial Code, as well as the internal control and risk management procedures implemented by the Company at the Group level.

This report was reviewed and approved by the Board of Directors at its meeting held on 10 May 2016, after the Audit Committee reviewed the chapter relating to the internal control and risk management procedures, the Nominations and Remuneration Committee reviewed the chapter relating to corporate governance and the Ethics, Compliance and Sustainability Committee reviewed the sections within its field of expertise.

In a separate report, the Statutory Auditors present their observations on the content of this report, and more specifically on the internal control procedures relating to the preparation and the processing of accounting and financial information and on 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 November 2015 represents the Corporate Governance Code applicable to the Company for the purpose of this report (the "AFEP-MEDEF Code"). This code is available on the AFEP Internet site (www.afep.com) and on the Company Internet site (www.alstom.com, section "About us / Corporate governance").

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

Pursuant to Article L. 225-37 of the French Commercial Code, some differences relative to the recommendations of the AFEP-MEDEF Code as interpreted by the Application Guide to the Code published by the High Committee for Corporate Governance in October 2015 are provided in this report and summarized in a table included on page 188.

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

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

Board of Directors

Composition of the Board of Directors

Following Mr Patrick Kron's resignation and based on the decision dated 28 January 2016, the Board of Directors appointed Mr Henri Poupart-Lafarge as Chairman and Chief Executive Officer, effective as from 1 February 2016.

As of 10 May 2016, the Board of Directors is composed of twelve members, four of whom are non-French nationals and seven of whom are independent within the meaning of the AFEP-MEDEF Code (58%). Following the resignations of Ms Katrina Landis and Ms Lalita Gupte from their respective offices as Director as from 31 December 2015, the proportion of women serving on the Board is now 33%.

Mr Henri Poupart-Lafarge, 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. The Articles of Association do not specify an age limit applicable to Directors beyond the legal limit.

Based on the Nominations and Remuneration Committee's 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 provides 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 on-going objective to increase the diversity and complementarity of skills required for service on the Board, to maintain a diversity of nationalities and to increase the presence of women.

The mandates of Mr Pascal Colombani and Mr Gérard Hauser will expire after the General Shareholders' Meeting convened on 5 July 2016. Based on the Nominations and Remuneration Committee's recommendation, the Board of Directors will propose the renewal of their respective mandates for a four-year term at the General Shareholders' Meeting convened on 5 July 2016.

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

The Board's Internal Rules, amended on 17 March 2015, increased the minimum number of shares to be held by a Director from 500 to 2,000 shares, which corresponds to approximately one year of Director's fees. Each Director shall have a period of two years from 1 January 2015 or the beginning of his or her mandate if later, to increase his or her number of shares to this minimum level. As of 10 May 2016, an aggregate amount of 31,201 Company shares were held by Directors in their individual capacity while Bouygues held 18,260,866 shares (Bouygues transferred 43,825,361 shares to the French *Agence des Participations de l'État* under the terms of an equity loan transaction between Bouygues and the French State).

The tables below provide summaries of the composition of the Board and its Committees as of 10 May 2016 and details on how they have changed:

SUMMARY OF THE COMPOSITION OF THE BOARD ON 10 MAY 2016 AND AREAS OF EXPERTISE OF ITS MEMBERS

				Committee membership						
Name	Title	Age	Independent Director	Audit	N&R (1)	EC&S (2)	First Term Start	Current Term End	Years on Board	Experience
Henri Poupart-Lafarge	Chairman and CEO Director	47					2015	2019	1	Industry, International
Candace K. Beinecke	Director	69			√		2001	2019	15	Law, International
Olivier Bourges	Director	49					2015	2019	1	Law, International
Olivier Bouygues	Director	65			√		2006	2018	10	Industry, International
Bi Yong Chungunco	Director	53	√			√	2014	2018	2	Law, International
Pascal Colombani	Director	70	√	√		√ Chairman	2004	2016	12	Industry, Technology, International
Gerard Hauser	Director	74	√		√ Chairman		2003	2016	13	Industry, International
Klaus Mangold	Director	72	√		√		2007	2019	9	Industry, International
Géraldine Picaud	Director	46	√	√			2015	2019	1	Finance, International
Sylvie Rucar	Director	59	√		√	√	2015	2019	1	Industry, International
Bouygues SA represented by Philippe Marien	Director	59		√			2008	2018	8	Finance
Alan Thomson	Director	69	√	√ Chairman			2007	2019	9	Finance, International

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

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

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

The following provides a summary of the changes in the Board of Directors' composition that occurred over the course of the 2015/16 fiscal year as well as the changes submitted to the next General Shareholders' Meeting:

	General Meeting dated 30 June 2015	General Meeting dated 18 December 2015	General Meeting dated 5 July 2016
Departure/End of mandate	Mr Jean-Martin Folz (1) Mr James W. Leng (1) Ms Amparo Moraleda (1)	Ms Lalita Gupte (1)(2) Ms Katrina Landis (1)(2)	
Reappointment	Mr Patrick Kron (3) Ms Candace K. Beinecke Mr Klaus Mangold (1) Mr Alan Thomson (1)		Mr Pascal Colombani (1) Mr Gérard Hauser (1)
Appointment	Mr Henri Poupart-Lafarge Ms Géraldine Picaud (1) Ms Sylvie Rucar (1)	Mr Olivier Bourges	

(1) Independent Director.
(2) Director who resigned as effective on 31 December 2015.
(3) Director who resigned as effective on 31 January 2016.

Over the course of the 2015/16 fiscal year, the composition of the Committees has changed as follows:

	As from 1 July 2015	On 10 May 2016
AUDIT COMMITTEE		
Chairman	Mr Alan Thomson (1)	Mr Alan Thomson (1)
Members	Mr Pascal Colombani (1) Ms Lalita D. Gupte (1) Mr Philippe Marien (2) Ms Géraldine Picaud (1)	Mr Pascal Colombani (1) Mr Philippe Marien (2) Ms Géraldine Picaud (1)
NOMINATIONS AND REMUNERATION COMMITTEE		
Chairman	Mr Gérard Hauser (1)	Mr Gérard Hauser (1)
Members	Ms Candace Beinecke Mr Olivier Bouygues Mr Klaus Mangold (1) Ms Sylvie Rucar (1)	Ms Candace Beinecke Mr Olivier Bouygues Mr Klaus Mangold (1) Ms Sylvie Rucar (1)
ETHICS, COMPLIANCE AND SUSTAINABILITY COMMITTEE		
Chairman	Mr Pascal Colombani (1)	Mr Pascal Colombani (1)
Members	Ms Bi Yong Chungunco (1) Ms Katrina Landis (1)	Ms Bi Yong Chungunco (1) Ms Sylvie Rucar (1)

(1) Independent Director.
(2) Permanent representative of Bouygues SA.

Executive management

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

In 2014, the Board of Directors chose to proceed with the appointment of a Lead Director whenever the functions of Chairman of the Board of Directors and Chief Executive Officer are combined as one, in order to provide additional guarantees on the existence of a well-balanced and controlled system of corporate governance.

At its meeting dated 28 January 2016, the Board of Directors decided to keep the functions of Chairman and Chief Executive Officer combined as one, and to appoint Mr Henri Poupart-Lafarge as Chairman and Chief Executive Officer of the Company.

In addition to the duties assigned to the Lead Director presented below, 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 from their inception;
- information 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, all independent Directors, in order to discuss with institutional investors the key subjects of corporate governance of the Company and sustainable development;
- a routine review of the Internal Rules of the Board of Directors and the Committees, and the adaptation of their provisions, as the case may be.

The restrictions imposed by the Board on the powers of the Chairman and Chief Executive Officer are specified in the Internal Rules of the Board which 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 single acquisition or divestiture in excess of €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 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…).

The Internal Rules also require the Board of Directors to examine and approve the annual budget and the medium-term plan.

Lead Director

Since 2014, when the functions of Chairman and Chief Executive Officer were combined, the Board of Directors must, pursuant to the terms of its own Internal Rules, appoint a Lead Director, the main responsibility of which is to ensure the proper functioning of the corporate governance bodies of the Company. The Internal Rules set the following terms and conditions applicable to the role of Lead Director:

Excerpt from the Internal Rules of the Board of Directors on the Lead Director (Article 6)

Whenever the functions of Chief Executive Officer and Chairman of the Board of Directors are 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 in the best possible conditions and, in particular, that they can rely on a high level of information prior to the meetings of the Board of Directors.
- The Lead Director can, at his or her own initiative, call for and preside 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 regarding his or her work.

The Secretariat of the Board of Directors remains at the disposition of the Lead Director to assist in the completion of his or her assignments.

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

Subject to the renewal of his term of office at the General Meeting convened on 5 July 2016, Mr Gérard Hauser will continue to act as Lead Director and Chairman of the Nominations and Remuneration Committee.

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

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

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

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

In accordance with the terms of the aforementioned agreement, Bouygues submitted a resolution at the General Shareholders' Meeting dated 18 December 2015 convened to approve the distribution to the shareholders of a portion of the proceeds in the form of an *offre publique de rachat d'actions* (public share buyback offer or "OPRA"). The resolution called for the appointment of Mr Olivier Bourges as Director on the Board of Directors of the Company as from the settlement-delivery of the OPRA. The General Shareholders' Meeting dated 18 December 2015 approved the appointment of Mr Olivier Bourges as Director.

Information on the Board members

The information provided below also constitutes the information of the Board of Directors' Report to the Shareholders' Meeting set forth in paragraph 4 of Article L. 225-102-1 of the French Commercial Code. The information is accurate as of 10 May 2016.

Henri Poupart-Lafarge

Age: 47.

Nationality: French.

Professional address: Alstom – 48, rue Albert-Dhalenne, 93400 Saint-Ouen – France

Principal function: Chairman and Chief Executive Officer of Alstom.

End of current mandate: AGM 2019.

First mandate: 2015-2019.

Holds 19,560 shares.

Other current directorships and positions:

In France:

Director of Vallourec (*)

Abroad:

Director of Transmashholding (TMH)

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

In France:

Director of Rhodia (2010-2011)

Within the Alstom Group:

Chairman of Alstom Executive Management (2014-2015)
Chairman of Alstom Sextant 5 (2009-2012)
Chairman and Chief Executive Officer of T&D Holding (2010-2011)
Director of Alstom Transport SA (2012-2015)
Director of Alstom T20 (2014)

Abroad:

Within the Alstom Group:

Director of Alstom Transport Holdings BV (2013)

Biography:

Mr Henri Poupart-Lafarge, is a graduate of *École polytechnique, École nationale des ponts et chaussées* and the Massachusetts Institute of Technology (MIT). He started his career in 1992 at the World Bank in Washington, D.C., before joining the French Ministry of Economy and Finance in 1994. Mr Henri Poupart-Lafarge joined Alstom in 1998, as Head of Investor relations and responsible for management control. In 2000, he became the Transmission and Distribution Sector's Senior Vice President Finance, a position he held until the sale of the Sector in 2004. From 2004 to 2010, he was Chief Financial Officer of the Alstom Group, from 2010 to 2011 President of the Alstom Grid Sector and was President of the Transport Sector from 4 July 2011 until his appointment as Chairman and Chief Executive Officer. Mr Henri Poupart-Lafarge has been the Chairman and Chief Executive Officer of the Alstom Group since 1 February 2016.

Candace K. Beinecke

Age: 69.

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 2019.

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
Lead independant Trustee of Vornado Realty Trust (NYSE) (*)
Member, Board of Directors, Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc.

Non-profit organisations:

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

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

In France:

–

Abroad:

–

Biography:

Ms Candace K. Beinecke, 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. Ms Beinecke is also a practicing partner in Hughes Hubbard's Corporate Department. Ms Beinecke serves as Chairperson of First Eagle Funds, a leading US public mutual fund family. She is a 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 Bourges

Age: 49.

Nationality: French.

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

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

End of current mandate: AGM 2019.

Holds 2,000 shares.

Other current directorships and positions:

In France:

Within the PSA Peugeot-Citroën Group:

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

Outside of the PSA Peugeot-Citroën Group:

Director of GEFCO
Director of Banque PSA Finance

Abroad:

-

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

In France:

Outside of the PSA Peugeot-Citroën Group:

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

Abroad:

–

Biography:

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

Olivier Bouygues

Age: 65.

Nationality: French.

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

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

End of current mandate: AGM 2018.

First mandate: 28 June 2006 – 22 June 2010.

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 on the Board of Bouygues (*)
Chairman of SAGRI-E and SAGRI-F

Within Bouygues group:

Director of TF1 (*), Bouygues Telecom, Colas (*) and Bouygues Construction
Director Bouygues Immobilier

Abroad:

Within Bouygues group:

Chairman and Director of Bouygues Europe (Belgium)

Outside Bouygues group:

Chairman and Chief Executive Officer and Director of SECI (formerly Saur Énergie de Côte d'Ivoire)
Director of SCDM Energy Limited

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

In France:

Permanent representative of SCDM, Chairman of the Board of SCDM Énergie (2011)
Manager of SIB (2011)
Director of Eurosport (2014)
Director of Eranove (formerly Finagestion)
Chairman of SCDM Énergie

Abroad:

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

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 public 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.

(*) Listed company.

Bi Yong Chungunco

Age: 53.

Nationality: Filipino.

Professional address: LafargeHolcim – Holcim Technology (Singapore) Pte Ltd – 152 Beach Road #31-05/08 Gateway East Singapore 189721 / Singapore.

Principal function: Head of Divestments of LafargeHolcim (*)

End of current mandate: AGM 2018.

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

Holds 500 shares.

Other current directorships and positions:

In France:

–

Abroad:

Chairman of Lafarge Suma Cement Inc (*) (Bangladesh)
Director of Lafarge Malaysia Berhad (*) (Malaysia)

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

In France:

Chairman of Société Financière Immobilière et Mobilière (Lafarge subsidiary)

–

Abroad:

Director of the Malaysian French Chamber of Commerce (2010-2012);
Chairman and Chief Executive Officer of Lafarge Malayan Cement Berhad (2008-2012)
Director of Lafarge Republic Inc. (*) (Philippines)

Biography:

Ms Bi Yong Chungunco is currently Head of Divestments of the LafargeHolcim Group mainly in the Asia-Pacific region. From July 2015 to March 2016, she was the Area Manager, South East Asia (West) of LafargeHolcim Group, overseeing the operations in Malaysia, Singapore, Bangladesh, Sri Lanka, and Myanmar and also served as the Corporate Secretary of Lafarge SA. Prior to this, she was the Senior Vice President, Group General Counsel of Lafarge S.A based in Paris, France. She joined the Lafarge Group in 2002 as Senior Vice President for Legal, Corporate Governance & External Relations of the Lafarge affiliated company in the Philippines. From 2004 to 2007, she was Group Regional Counsel and then Deputy General Counsel of Lafarge, overseeing from Paris the merger and acquisition transactions of the group and coordinating the worldwide legal network. From 2008 to 2012, she was Chief Executive Officer and Director of Lafarge Malayan Cement Berhad one of the largest industrial companies listed on the Malaysian Stock Exchange (a 51% owned subsidiary of Lafarge, with operations in Malaysia and Singapore). Before joining Lafarge Group she was a Director Treasurer and senior Vice president-Legal of Jardine Davies Inc., a subsidiary of Jardine Matheson Group listed in the Philippines. During this period, she was President of the tax management Association of the Philippines, a national organisation of tax practitioners in the Philippines. A lawyer by training, she worked in various law firms prior to joining Lafarge Group.

Pascal Colombani

Age: 70.

Nationality: French.

Professional address: TII Stratégies, 3, rue de Logelbach – 75017 Paris (France).

Principal function: Chairman of TII Stratégies.

End of current mandate: AGM 2016.

First mandate: 9 July 2004 – 24 June 2008.

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

Holds 1,211 shares.

Other current directorships and positions:

In France:

Chairman of the Advisory Board of A.T. Kearney Paris
Member of the European Advisory Board of JPMorgan Chase
Director and Honorary Chairman of of Valeo (*)
Non-Executive Director of Technip (*)
Director of Siaci Saint-Honoré
Vice-Chairman of the National Strategic Council for Research
Special representative of the President of the French Republic for the France – South Africa nuclear partnership

Abroad:

Chairman of the Board of Noordzee Helikopters Vlaanderen (NHV) (Belgium)

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

In France:

Non-Executive Director of Rhodia (*) (2005-2011)

Abroad:

Non-Executive Director of British Energy Group plc (subsidiary of EDF) (2003-2011)
Non-Executive Director of EnergySolutions Inc (*) (USA) (2009-2013)

(*) Listed company.

Biography:

Dr 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 Chief Executive Officer of the French Atomic Energy Commission (CEA) in 2000 where he served 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. Dr Pascal Colombani is Chairman of the Advisory Board of A.T. Kearney in Paris and a member of the European Advisory Board of JPMorgan Chase. He is also non-executive Director and Honorary Chairman of the Board of Directors of Valeo, a member of the Board of both Technip and Siaci Saint-Honoré, and Chairman of the Board of Noordzee Helikopters Vlaanderen (NHV) in Belgium. He is a member of the French Academy of Technologies and is Vice President of the French National Strategic Council for Research.

Gérard Hauser

Age: 74.

Nationality: French.

Principal function: Director of companies.

End of mandate: AGM 2016.

First mandate: 11 March 2003 – 9 July 2004.

Independent Director.
Lead Director.
Chairman of the Nominations and Remuneration Committee.

Holds 3,430 shares.

Other current directorships and positions:

In France:

Director of Technip (*)
Director of Delachaux
Chairman of Supervisory Board of Stromboli Investissement (SAS)

Abroad:

Director of Mecaplast (Monaco).

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

In France:

Director of Ipsen (March 2006 – 1 July 2014)
Chairman and Chief Executive Officer of Nexans (*) (17 October 2000 – 26 May 2009) and Director of Nexans until October 2011

Abroad:

–

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.

Klaus Mangold

Age: 72.

Nationality: German.

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

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

End of current mandate: AGM 2019.

First mandate: 26 June 2007 – 28 June 2011.

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 500 shares.

Other current directorships and positions:

In France:

–

Abroad:

Vice-Chairman Europe of Rothschild, Paris/London
Member of the Supervisory Board of Continental AG (*), Hannover, Germany
Chairman of the Supervisory Board of TUI AG (*), Hannover, Germany
Chairman of the Supervisory Board of ALSTOM Deutschland AG, Germany
Member of the Supervisory Board of Swarco AG, Austria
Member of the Supervisory Board of Baiterek NHV, Kazakhstan
Member of the Global Governance Council of Ernst & Young Global Ltd., United States
Member of the European Advisory Council of Rothschild, Paris/London

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

In France:

–

Abroad:

Member of the Supervisory Board of Metro AG (*) (until May 2013)
Member of the Supervisory Board of Drees & Sommer AG, Stuttgart (until November 2012)
Member of the Supervisory Board of Universitätsklinikum, Freiburg (until May 2011)

(*) Listed company.

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) and Continental AG (Germany). He is also Chairman of the Supervisory Board of Rothschild GmbH (Frankfurt) and Chief Executive Officer of Mangold Consulting GmbH. Until November 2010 he was Chairman of the Committee on Eastern European Economic Relations of German Industry. He is also *Chevalier de la Légion d'honneur* in France.

Géraldine Picaud

Age: 46.

Nationality: French.

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

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

End of current mandate: AGM 2019.

Independent Director.
Member of the Audit Committee.

Holds 200 shares.

Other current directorships and positions:

In France:

Within the Essilor Group:

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

Abroad:

Within the Essilor Group:

Member of Coastal.com's Board of Directors
Member of Transitions Optical IE Ltd's Board of Directors
Director of Transitions Optical Inc
Director of Transitions Optical Holding BV
Member of Grupo Vision's Board of Directors
Member of Essilor India Property Limited's Board of Directors
Member of Vision Direct UK's Board of Directors

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

In France:

Outside of the Essilor Group:

Director of Aéroports de Paris (*) (July 2013 – July 2014)

Abroad:

Outside of the Essilor Group:

Director and member of the Audit Committee of De Masterblenders 1753 (*) (November 2012 – June 2013)
Member of the Board of Directors of Alcan Rubber & Chemicals Inc (2006-2013)
Chief Financial Officer and member of the Board of Directors of ED&F Man Coffee Ltd (2008-2011)
Chief Financial Officer and member of the Board of Directors of Volcafe Holding AG (2008-2011)

Biography:

Ms Geraldine Picaud, is Chief Financial Officer of the Essilor Group, the global leader in ophthalmic optics. Prior to joining Essilor, Geraldine Picaud worked for the ED&F Man group (a key player in the international commodity market) where she arrived in 2007. Initially, she joined the London Office as the Head of Global Finance Responsible for Mergers & Acquisitions, then transferred to Switzerland, where she headed the Financial Management team of Volcafe Holdings. Prior to this, she was first responsible for Management Control then the Chief Financial Officer at Safic Alcan (international distribution group of specialty chemicals). Ms Geraldine Picaud began her professional career in 1991 at Arthur Andersen Audit. She is a graduate of the Reims Management School (ESC Reims).

(*) Listed company.

Sylvie Rucar

Age: 59.

Nationality: French.

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

Principal function: Consultant.

End of current mandate: AGM 2019.

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

Holds 500 shares.

Other current directorships and positions:

In France:

Senior Advisor at Alix Partners (U.S. advisory firm, Paris office)
Director of Avril Gestion (France)
Director of CFAO (*) (France), Chairman of the Audit Committee, member of the Sustainable Development Committee

Abroad:

–

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

In France:

Director of SOPROL (France) and Cooper Standard France
Senior Advisor at Grant-Thornton Corporate Finance (advisory firm)

Abroad:

–

Biography:

Ms Rucar began her career in 1978 at Citroën (PSA Group), and then joined the PSA group Finance Management from 1984 to 2007. There, she worked in the fields of mergers and acquisitions, financial controlling, and international finance, and was Group Treasurer before becoming the Chief Financial Officer and Chairman of the PSA Finance Bank. She was a member of PSA Group's Management Committee.

In early 2008, Ms Sylvie Rucar joined Société Générale where she was the Deputy CFO and Chief Operating Officer of the Group's Investor Services business, then integrated Family Office Cogepa in mid-2009. She has been since 2010 an advisor in financial management, mergers and acquisitions and corporate restructuring for her own firm and a Senior Advisor of the advisory firm Alix Partners. Ms Sylvie Rucar is a graduate of the ESCP-Europe Business School (*École supérieure de commerce de Paris,* ESCP-Europe).

Alan Thomson

Age: 69.

Nationality: British.

Professional address: HAYS plc – 250 Euston Road, London (United Kingdom).

Principal function: Non-Executive Chairman of HAYS plc (*).

End of current mandate: AGM 2019.

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:

Non-Executive Chairman of Bodycote plc (*) (UK)

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

In France:

–

Abroad:

Non-Executive Chairman of Polypipe Group plc (*) (UK) (2014-2015);
Director of HSBC Bank plc (*) (UK) (2013-2014)
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 listed in the UK. 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 non executive Chairman of Polypipe Group plc a UK listed building materials company until 31 May 2015. Mr Alan Thomson was a Director of HSBC Bank plc until 31 October 2014.

(*) Listed company.

Philippe Marien

Age: 59.

Nationality: French.

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

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

Member of the Audit Committee.

Designated by Bouygues (*) as its permanent representative.

End of Bouygues' mandate: AGM 2018 (mandate renewed on 1 July 2014).
Bouygues SA

French société anonyme with a share capital of €345,135,316.
Head Office: 32, avenue Hoche – 75378 Paris Cedex 08 (France).
Holds 18,260,866 shares as of 10 May 2016.

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:

–

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

Permanent representative of Bouygues, Director of Bouygues Construction
Permanent representative of Bouygues, Director of TF1 (*)
Permanent representative of Bouygues, Director of Colas (*)
Permanent representative of Bouygues, Director of Bouygues Immobilier
Permanent representative of Bouygues, Director of C2S

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

Director of Bouygues Telecom
Director of Bouygues Europe (Belgium)
Director of Uniservice

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

Chief Executive Officer of SCDM
Liquidator of Finamag

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

Chairman of the Board of Bouygues Telecom (2013)

Biography:

Philippe Marien is a graduate of *École des Hautes Études Commerciales* (HEC). He joined the Bouygues group in 1980 as international finance manager. In 1984, he was special advisor for the takeover of the AMREP oil services group before being appointed Finance Director of Technigaz, a liquefied gas engineering contractor, in 1985. In 1986, he joined the Group's Finance Department to take responsibility for the financial aspects of the takeover of Screg. He was successively Head of Finance and Cash Management of Screg in 1987 and Finance Director of Bouygues Offshore [1] in 1991. He was appointed Senior Vice President, Finance and Administration of Bouygues Offshore in 1998, then moved to Bouygues Bâtiment in 2000 as Chief Financial Officer. In March 2003, Philippe Marien became Chief Financial Officer of the Saur group [2]. He managed the sale of Saur by Bouygues to PAI partners, then by PAI partners to a new group of shareholders led by the Caisse des Dépôts et Consignations. He was appointed Chief Financial Officer of the Bouygues group in September 2007. In February 2009, Philippe Marien was appointed Chairman of Bouygues Telecom's Board of Directors, a position that he held until April 2013.

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

Absence of conviction or conflicts of interest

This section is based on the information provided by the members of the Board in answer to the annual questionnaire sent to them by the Company.

To the Company's knowledge, no member of the Board of Directors:

- has been convicted 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, the purpose of which is the creation of infrastructures for transport or the production of electricity. The cooperation protocol was submitted for approval at the General Shareholders' Meeting in the context of the procedure applicable to regulated agreements.

In the event of a conflict of interest, according to the Director's Charter annexed to the Board of Directors' Internal Rules, any Director must inform the Board as soon as he/she is aware of any, even potential, conflict of interests and he/she must 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.

Moreover, 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 to the Company or to any of its subsidiaries and granting them any benefits.

To the Company's knowledge, and with the exception of what is described concerning Bouygues in section "Additional Information" of the Registration Document for the 2015/16 fiscal year, there is no restriction applicable to any of the other members of the Board of Directors relative to the sale of their equity stake in the capital of the Company other than the internal rules set by the Group or, more generally, all applicable legal or regulatory provisions governing refraining from trading in the Company's securities in the context of insider trading prevention.

Evaluation of the Directors' independence

According to the AFEP-MEDEF Code and as set forth in the Board of Directors' Internal Rules, the Board of Directors re-examines annually the situation of each Director in the light of the independence criteria. The Board meeting of 10 May 2016 performed this review based on the proposals made by the Nominations and Remuneration Committee that the Board had accepted.

As in the previous year, the Board used the AFEP-MEDEF Code's definition as its reference and considered that a Director is independent when he or she has no relationship of any kind whatsoever with the Company, its Group or its Management that could potentially compromise his or her ability to exercise independent judgement.

The Board took into account all the AFEP-MEDEF Code's suggestions for assessing the independence of its members, and established that in order to be qualified as independent, a Director must not:

- criterion 1: be or have been, in the past five years, an employee or an Executive Corporate Officer *(dirigeant mandataire social)* of the Company, or an employee or Director of its parent company or of one of the subsidiaries in its scope of consolidation;
- criterion 2: be an Executive Corporate Officer *(dirigeant mandataire social)* of a company in which the Company holds, either directly or indirectly, a seat on the Board of Directors, or for which such seat is currently occupied or has been held, for no less than the past five years, by an employee designated as such or by an Executive Corporate Officer *(dirigeant mandataire social)* of the Company;
- criterion 3: be, either directly or indirectly, a significant customer, supplier, investment or commercial banker of the Company or its Group, or for which the Company or its Group represents a material proportion of the entity's business;
- criterion 4: have any close family ties with a Corporate Officer *(mandataire social)* of the Company;
- criterion 5: have been a Statutory Auditor of the Company in the past five years;
- criterion 6: have been a Director of the Company for more than twelve years (it being specified that the loss of his or her independent status can only take place at expiration of the mandate during which he or she exceeds the twelve year period);
- criterion 7: be, control, or represent a shareholder that holds, individually or in concert, more than 10% of the Company's share capital or voting rights at the Company's Shareholders' Meetings.

Every year, the Company encourages each Director to submit a statement to the Company concerning their status vis-à-vis each of these criteria.

In accordance with the AFEP-MEDEF Code's recommendation, the Board of Directors may consider that a Director should not be qualified as independent even though he or she meets the criteria for independence, and vice versa.

The Board of Directors reviewed the key business relationships criterion (criterion 3). Whenever business activities or relationships were developed and identified between Alstom and the companies in which those Directors qualified as independent perform functions or exercise mandates, in order to assess the independence of the relevant Directors, the Board generally ensured that factors such as the nature and the economic value of the relationship, as assessed from each party's point of view, were not significant, and that the relevant Director did not hold an executive position within the company or group concerned.

The Board noted that the functions exercised by Mr Pascal Colombani as Member of the European Advisory Board of JP Morgan Chase, a bank with which the Group has relationships that the Board deemed non-significant, would not compromise Mr Pascal Colombani's independent judgement.

The Board agreed that the functions exercised by Mr Klaus Mangold as Chairman of the Supervisory Board of Alstom Deutschland AG would not compromise his independent judgement while serving on the Board, insofar as Alstom Deutschland AG was sold to General Electric as part of the sale of Alstom's Energy businesses to General Electric. The Board acknowledged that, as of the date hereof, Mr Mangold has not disclosed any actual or potential conflict of interest to the Board in connection with this mandate, and that, when he was appointed, he had committed to doing so, as needed. In accordance with the terms of the Board's Internal Rules and the AFEP-MEDEF Code's Application Guide published in October 2015, he would also refrain from participating in the Board's decisions in the event of a conflict of interest between the Company and Alstom Deutschland AG.

Therefore, after reviewing all the criteria, the Board of Directors decided that, of the twelve total Directors on the Board, as of 10 May 2016, seven Directors qualified as independent, corresponding to 58%, which is higher than the 50% target recommended by the AFEP-MEDEF Code for non-controlled companies with a widely spread share capital and adopted by the Board, as set forth in its Internal Rules.

AFEP-MEDEF Criteria (*)

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Qualification assigned by the Board
Henri Poupart-Lafarge		√	√	√	√	√	√	Not independent
Candace Beinecke	√	√		√	√		√	Not independent
Olivier Bourges	√	√	√	√	√	√		Not independent
Olivier Bouygues	√	√	√	√	√	√		Not independent
Bi Yong Chungunco	√	√	√	√	√	√	√	
Pascal Colombani	√	√	√	√	√	√	√	
Gérard Hauser	√	√	√	√	√	√	√	
Klaus Mangold	√	√	√	√	√	√	√	
Géraldine Picaud	√	√	√	√	√	√	√	
Sylvie Rucar	√	√	√	√	√	√	√	
Alan Thomson	√	√	√	√	√	√	√	
Bouygues represented by Philippe Marien	√	√	√	√	√	√		Not independent

(*) The criterion is considered met when marked with a "√".

At its meeting dated 10 May 2016, the Board of Directors performed a detailed review of Mr Pascal Colombani and Mr Gérard Hauser's respective status, for whom the duration of their respective mandates will exceed twelve years (criterion 6) as of the upcoming General Shareholders' Meeting dated 5 July 2016, and for whom a four-year renewal in office will be proposed at said upcoming General Shareholders' Meeting.

The Board of Directors considered that, since the Company's sale of its Energy businesses to General Electric led to the in-depth overhaul of its senior management, the fact that Mr Pascal Colombani and Mr Gérard Hauser have exercised their duties for more than twelve years does not compromise their ability to exercise independent judgement vis-à-vis other senior executives, of whom they have only indirectly controlled the actions. In addition, the sale also significantly modified the Company's scope of consolidation, since its business activities are now refocused on the Transport business, which, pre-sale, only represented roughly 30% of the former Alstom's total scope of consolidation. Therefore, the fact that those Directors remained in office for more than twelve years should not compromise their ability to exercise independent judgement vis-à-vis general or more strategic decisions that have been or will be taken in the context of this new scope of consolidation. Now refocused on its Transport business, Alstom's activities target significant investments projects and long-term contracts. As such, long-term Board experience is helpful for monitoring the changes in the Company's business activities based on their historical development, and to formulate a more informed opinion in order to make more informed investment decisions. Lastly, the Board considered the fact that, in the next two years, the Company must carry out transactions associated with the completion of the sale of the Energy businesses to General Electric, and that it holds significant equity in joint ventures established with the latter in the energy sector. This justifies retaining Board members who have an in-depth understanding of these businesses as well as the terms and conditions of the transaction with General Electric.

Based on these considerations, and the role of Mr Pascal Colombani (Chairman of the Ethics, Compliance and Sustainability Committee) and Mr Gérard Hauser (Lead Director and Chairman of the Nominations and Remuneration Committee), the Board decided that, in the event the General Shareholders' Meeting dated 5 July 2016 votes to renew their term of office, Mr Pascal Colombani and Mr Gérard Hauser should maintain their independent Director status.

However, in order to allow the Company to continue to consider all of the criteria recommended by the AFEP-MEDEF Code with respect to the assessment of Directors' independence, including the seniority criterion on the Board, Mr Pascal Colombani and Mr Gérard Hauser have already announced that they would remain Directors of the Company only for a limited period of time.

Subject to the renewal of the mandates of Mr Pascal Colombani and Mr Gérard Hauser by the shareholders at the upcoming General Shareholders' Meeting dated 5 July 2016, the Board of Directors will maintain seven independent Directors out of a total of 12 (58%).

Rules of conduct – Ethics for Directors

Director's Charter

Attached to the Board of Directors' Internal Rules is the Director's Charter, defining the Directors' rights and obligations, and the content of which is for the most part compliant with the recommendations of the AFEP-MEDEF Code. Before accepting their appointment, all Directors must make themselves aware of the legal and regulatory requirements relating to their office, as well as of the Company Articles of Association, the Group's Code of Ethics, the internal procedures for the Board of Directors, Board Committees and the Director's Charter. Any Director can refer to the Secretary of the Board at any time, regarding the application of these rules and the rights and obligations of their role.

Each Director shall dedicate to her/his function all the required time and attention and shall attend – unless prevented to do so – all meetings of the Board of Directors and of the Committees which he or she is a member, as well as all General Shareholders' Meetings.

Pursuant to the Charter, each Director has a duty to inform the Board as soon as he or she is aware of a conflict of interest, even a potential one, and to abstain from attending discussions and from voting on the corresponding resolution. It specifies that the Director must consult with the Chairman of the Board of Directors (or, whenever the Director in question is the Chairman of the Board of Directors, the Chairman of the Nominations and Remuneration Committee) prior to committing to any responsibilities or accepting to exercise any functions or fulfil any obligation that could, according to him or her, create a conflict of interest for him or her, including a potential one. After consulting with the Lead Director, the Chairman can submit such questions to the Nominations and Remuneration Committee, or the Board of Directors. The Lead Director will analyse any potential conflicts of interest with the Chairman of the Board of Directors. In the event of a conflict that cannot be resolved to the satisfaction of the Board, the Director must resign. Upon taking office, then once a year, the Director must submit a statement to the Company on the existence of or the potential for any conflicts of interest by answering a questionnaire provided by the Company. He or she must notify the Company if ever this submitted information becomes inaccurate, and is required to answer to the Chairman of the Board of Directors' information request at any time, in accordance with the Directors' Charter.

Pursuant to the Charter, each Director is bound by professional secrecy and must personally protect the confidentiality of any information he or she obtains in connection with his or her office that has not been made public.

In addition, the Charter states that the Director must also comply with the provisions of the AFEP-MEDEF Code and the legal provisions in force concerning rules applicable to the combination of mandates. Each Director must provide information to the Company regarding the mandates he or she holds in other companies, including his or her participation in committees of the boards of such French or foreign companies. He or she must disclose any new mandate or professional responsibility to the Company as soon as possible. When he or she exercises executive functions within the Company, he or she must also solicit the opinion of the Board of Directors prior to accepting a new corporate mandate in a company outside the Group.

The Director's Charter also 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 his or her mandate and following each amendment. Compliance with confidentiality rules is also among the essential rules of the Group's Code of Ethics.

The Code of Conduct 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.

The schedule of these blackout periods, like the Code of Conduct, can be accessed online on the Company's intranet site.

In addition, the opening of each blackout-trading period is notified by email to the interested persons together with an updated timetable of all such periods.

The Board's Internal Rules, as well as this Code of Conduct to which the Internal Rules of the Board refer, also remind the managers and persons related to them of their legal obligations to report dealings in the Company's securities completed either by them or by persons close to them.

Pursuant to the Code of Conduct, transactions involving the Company's securities are not allowed:

- during the 30 calendar days before Alstom's first six-month and annual results are disclosed to the public and until the second trading day included after the date when the information has been disclosed to the public;
- during the 15 calendar days before the public disclosure of the sales and orders (or other results) for the first and third quarters of the financial year and until the second trading day included after the date when the information has been disclosed to the public, and in any case;
- when inside information is held and until the second trading day included after the date when this information has been disclosed to the public.

Conditions of preparation and organisation of the work of the Board of Directors

Organisation and functioning of the Board of Directors

Internal Rules

The procedures governing the organisation and functioning of the Board of Directors are defined by the Internal Rules of the Board whose purpose is to complement applicable laws and regulations.

The rules are regularly reviewed by the Board of Directors to determine whether its provisions need to be amended or detailed in order to better comply with regulations in force or to improve the efficiency and operation of the Board of Directors and its Committees.

The Internal Rules notably state that the Board of Directors:

- shall be comprised of independent Board members numbering not less than half of its total members, as determined and reviewed annually by the Board of Directors on the basis of a proposal to be made by the Nominations and Remuneration Committee;
- shall define, upon the proposal of the Chief Executive Officer, the Group's strategy, and shall regularly review the Group's strategic options as previously defined, supervise management and verify the quality of information supplied to shareholders and the financial markets;
- shall 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 Chief Executive Officer's performance outside of his presence;
- shall review and approve annually the information published in the Company's Annual Report on its practices and structure of corporate governance, including the presentation of the policy that is followed with respect to the remuneration of Executive and Non-Executive Directors.

The Board shall examine its operation at least once a year and implement a formal assessment every three years.

Every year, the Board conducts a formal assessment of its functioning and of the Committees' functioning and entrusts the preparation of such assessment to external consultants every three years.

A minimum of six meetings are scheduled each year.

Training of Directors

At the beginning of his or her mandate, each Director receives all information needed to perform his or her duties and may request any document he or she considers appropriate.

Interviews with those responsible for the Group's main central functions are organised with detailed presentation of the businesses and the visits of production sites to allow the Directors to gain initial contact with management teams and develop a more thorough understanding of elements that are specific to the Company, its activities and the markets in which it operates.

Within the framework of the development of continuing training initiatives, it is also proposed to all Directors the option to participate in these induction and training programs intended for new Directors.

During the annual evaluations of the Board of Director's operation, the members are requested to indicate whether they feel the need to update their knowledge or broaden their skills.

The Board of Director's Internal Rules have been supplemented to clarify that any further training a Director may request, if he or she considers it necessary, may cover not only Group activities and product lines, but also accounting and financial aspects.

Each year, one Board of Directors meeting is held on one of the main Group sites and provides in depth presentations of the business concerned, visits of production sites and exchanges with operational executives.

Information to be provided to Directors

Prior to each Board or Committee meeting, the Directors shall receive, sufficiently in advance and with proper notice (generally one week advance notice), a report on the agenda items that require prior examination and consideration.

In addition to Board of Director meetings, the Chairman regularly informs the Directors of any event or development that may have a material impact on operations or on any information previously communicated to the Board of Directors or on any matters discussed during the meetings; the Chairman also regularly forwards to the Directors any material information regarding the Company. The Board of Directors Internal Rules, notably provide for 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, as well as the main articles appearing in the press and reports by financial analysts.

The Directors may at any time request further information from the Chairman of the Board, who shall assess the relevance of the request. Any Director is also entitled to meet with the Group's Senior Executives outside of the presence of the Executive and non-Executive Directors *("mandataires sociaux")* of the Company.

The Directors can also be asked to join workgroups organised by the Company whose subject matters will then be presented to the Board of Directors.

The operational or functional executives of the Group, as well as persons outside the Group, participate in meetings at the request of the Chairman, based on the matters on the agenda.

Board Committees

Since the Company's listing in 1998, the Board of Directors has operated two Committees, the Audit Committee and the Nominations and Remuneration Committee, invested with the responsibility to study and prepare the Board's main deliberations in order to improve the Board's efficiency, which is the only body duly authorised to make decisions.

In September 2010, the Board of Directors decided to establish a third Committee, the Ethics, Compliance, and Sustainability Committee (the "EC&S Committee").

Each Board meeting is generally preceded by a meeting of one or more of these Committees depending on the items on the Board of Directors meeting agenda. The Committees report to the Board on their work and observations, and submit their opinions, proposals or recommendations. Given the travelling requirements foreign Directors are faced with, Audit Committee meetings are usually held the day prior to Board meetings and not two days ahead as recommended by the AFEP-MEDEF Code, on the basis of documents that have already been sent to participants (a week before the meeting). However, with respect to the approval of the annual financial statements, the Audit Committee has, on occasion, met several days before the Board meeting.

The composition, the powers and the procedures of each Committee are also defined by Internal Rules put forward by each Committee involved and approved by the Board of Directors. Each Committee reviews its Internal Rules to take into account the evolution of the regulations or recommendations and can submit any modifications that it considers appropriate to the Board.

In addition, the Board of Directors can at any time decide to create an *ad hoc* Committee of Directors to examine a specific matter. As such, on 29 April 2014, it appointed an *ad hoc* Committee of Independent Directors in order to conduct the review of the offer received from General Electric in the context of the sale of the Energy business.

A Director's professional career and skills are taken into account as selection criteria in deciding on his or her presence on a given Committee.

According to the Audit and EC&S Committees' Internal Rules, these Committees shall consist of at least three members of whom at least two-thirds must be independent Directors including the Chairman of the Committee. As for the Nominations and Remuneration Committee, the Rules recommend that it shall consist of at least three members and that at least a majority of the Committee's members are independent among whom the Chairman of the Committee who shall have a casting vote in case of a tie vote.

In the context of its work, each Committee can meet any Group executive it wishes, retain the services of experts on its own initiative and ask for any information useful for it to perform effectively.

Moreover, each member of a Committee may propose that a meeting be held if he or she considers this necessary in order to discuss a particular issue.

The Committees' work is subject to an oral report during the Board meeting, followed by a report in writing made available to Directors. Each Committee prepares a report presenting its work during the past fiscal year; this report is included in the Registration Document (see hereinafter).

The Internal Rules of the Board of Directors and its Committees and the Director's Charter appended to the Board Internal Rules of which large extracts are provided herein, as well as the Code of Conduct to which the Board Internal Rules refer, are available on the Alstom Internet site (www.alstom.com, section "Corporate governance").

Activity report of the Board for fiscal year 2015/16

The Board of Directors met eleven times during the fiscal year (fifteen times during the previous fiscal year). The attendance rate was 93% (93% in the previous fiscal year).

Based on the Audit Committee's recommendation, the Board of Directors reviewed and approved the consolidated and statutory accounts for the fiscal year 2014/15, the consolidated accounts for the first half of the fiscal year 2015/16, as well as the related management reports. The Board of Directors reviewed the draft press releases on these accounts before their publication.

Each time it reviewed the half-year and full year accounts and also on a regular basis, the Board of Directors reviewed the financial situation of the Group, the evolution of the cash flow, debt, liquidity position and its financial rating. The Board of Directors received information on the significant risks faced by the Group, how they have evolved, and the action plans launched. In May 2015, the Board of Directors discussed and approved the description of the main risks faced by the Group that were included in the Company's 2014/15 Registration Document. The Board of Directors discussed Directors' independence status and, more generally, approved the Chairman's report pursuant to Article L. 225-37 of the French Commercial Code and the section "Corporate governance" of the 2014/15 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 2015, based on the Nominations and Remuneration Committee's proposal and on the level of achievement of set financial and personal objectives, the Board of Directors determined the amount of Mr Patrick Kron's variable compensation for the 2014/15 fiscal year, when he was still Chairman and Chief Executive Officer. The Board of Directors also set the objectives for the determination of his variable compensation for fiscal year 2015/16 as well as his annual fixed compensation for that fiscal year.

Generally, the 2015/16 fiscal year was marked by the finalisation of the sale of Alstom's Energy businesses, namely Power (electricity generation) and Grid businesses, as well as Alstom's central services, in addition to, on the one hand, the creation of joint ventures between General Electric and Alstom, dedicated to Grid, renewable energy (Alstom's offshore Wind and Hydroelectric businesses), nuclear, and steam turbines in France, respectively and, on the other hand, Alstom's acquisition of General Electric's signalling business.

In conjunction with the sale of Alstom's Energy businesses to General Electric, the Board of Directors continued to pay close attention to its strategic review of the Alstom's Transport business and to the analysis of the future changes and growth prospects for the Group.

A Board of Directors meeting was followed by a visit to the Villeurbanne worksite. This visit and the discussions with the management teams enabled Board members to better understand the strategic actions of the signalling business.

The Board of Directors finalised the terms and conditions governing the distribution to shareholders of a portion of the sums received from General Electric following the completion of the sale of the Energy businesses to General Electric, and the main objective of which was to ensure that Alstom would be able to meet its operating needs, to finance its business through a sound balance sheet, and to support its development strategy. Based on the Board of Director's proposal, the General Shareholders' Meeting dated 18 December 2015 approved the distribution to shareholders of an amount of €3.2 billion in the context of a public share buyback offer concerning a maximum amount of 91.5 million shares, or 29.47% of the share capital, at a price of €35 per share (hereinafter the "OPRA").

Given Mr Patrick Kron's decision to resign from his duties as Chairman and Chief Executive Officer following the completion of the OPRA, the Board of Directors, after considering the recommendations of the Nominations and Remuneration Committee, unanimously decided, at its meeting dated 28 January 2016, to keep the functions of Chairman and Chief Executive Officer combined as one, and to entrust such functions to Mr Henri Poupart-Lafarge as from 1 February 2016.

At this aforementioned meeting, and based on the Nominations and Remuneration Committee's proposal, the Board of Directors prorated the amount of variable remuneration payable to Mr Patrick Kron for the 2015/16 fiscal year and determined the structure for the variable remuneration and annual fixed remuneration payable to Mr Henri Poupart-Lafarge.

Every year, the Board of Directors completes an evaluation of its composition and functioning in accordance with the provisions of Article 10 of the AFEP-MEDEF Code. The Board decided that, for the 2014/15 fiscal year, it would conduct an evaluation mainly focused on an ex post evaluation of the Board's management of the General Electric offer and competing offers, as well as on an initial discussion on the changes in the Company's governance post-completion of the on-going transaction with General Electric. For the 2015/16 fiscal year, the Lead Director interviewed each Non-Executive Director individually, asking questions related to the following key matters: the Board of Directors' composition and experience, the quality of the agenda at Board meetings, the information the Directors receive, the quality of the discussions and the remuneration method employed by the Board of Directors.

The Lead Director presented a summary report at the meeting dated 10 May 2016.

During the fiscal year, the Board of Directors also:

- adopted the resolutions and the documents required by law concerning the annual Shareholders' General Meeting including the elements related to the remuneration of the Chairman and Chief Executive Officer, which were submitted to the shareholders' advisory vote;
- 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 on-going investigations and disputes, and received, on a regular basis, information on the internal control and risk management systems through reviewing the Audit Committee's work reports, and on the procedures, actions, and organisation of the Group relative to ethics, compliance, and sustainable development through monitoring the work of the Ethics, Compliance and Sustainability Committee;
- noted the career development plans of senior executives;
- set the remuneration to be paid to the Directors and to the Lead Director;
- evaluated the Chairman and Chief Executive Officer's performances during its annual meeting in March.

The Committees' Chairmen submitted their Committee work reports to the Board for discussion.

The Board of Directors discussed and deliberated on all other important matters concerning the Group.

The Statutory Auditors were invited to the two Board meetings dedicated to the review and approval of the annual and half-yearly accounts.

Lead Director: activity report during fiscal year 2015/16

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

Over the course of the 2015/16 fiscal year:

- as Chairman of the Nominations and Remuneration Committee, the Lead Director ran the discussions on the governance structure and organisation of the Board of Directors of Alstom post completion of the sale of the Energy businesses to General Electric. He led the annual self-evaluation of the Board's operation, which was conducted at the end of the 2015/16 fiscal year by way of individual interviews with each Director. The Lead Director also conducted the Governance Practices Committee's annual review relative to the AFEP-MEDEF Code, its application guide, and the AMF's report;
- the Lead Director chaired the Annual Meeting of Non-Executive Directors held to evaluate the performances of the Chairman and Chief Executive Officer;
- the Lead Director consulted with the Chairman and Chief Executive Officer on a regular basis concerning the preparation of Board meetings and all of the important matters that were presented or decisions made at such meetings. He made himself available to Directors and entertained discussions on a regular basis with those who required it;
- the Lead Director submitted a report of his work to the Board of Directors at its meeting dated 10 May 2016.

Audit Committee

The Audit Committee, formed in 1998, is currently composed of four members: Mr Alan Thomson, Chairman of the Committee as from 2 July 2013, Mr Pascal Colombani, Mr Philippe Marien and Ms Géraldine Picaud.

Three members out of four are independent, including its Chairman. This corresponds to the two-thirds of Directors recommended by the AFEP-MEDEF Code.

Ms Géraldine Picaud, 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. Ms Géraldine Picaud, M. Pascal Colombani 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 Statutory Auditors, and the independence of such Statutory Auditors.

In fulfilling its role, as stated in its Internal Rules, the Committee is responsible for the following:

- to review the scope of consolidation and examine all draft consolidated and corporate financial statements and related reports which will be submitted to the Board for approval and to discuss them with Management and the Statutory Auditors;
- to review with Management and the Statutory Auditors the generally accepted accounting principles used in the preparation of the accounts including the review of alternative accounting principles, as well as any change in accounting principles, methods or rules while monitoring that such principles are still relevant;
- to examine and monitor the production process and the treatment of financial and accounting information used in the preparation of account statements;
- to evaluate the validity of the methods chosen for processing significant transactions as well as those transactions through which a conflict of interest could have occurred;
- to examine Management's presentation on risk exposure (including legal risks) and significant off-balance sheet commitments and contingencies at the time of the Committee's review of the accounts;
- to review and evaluate at least annually, the efficiency of internal control procedures and risk management procedures in place, including those associated with the development and treatment of financial and accounting information; the Committee monitors that the main risks are identified and managed, and that it is kept informed of their existence and status, it being specified that it shall receive the opinion of the Ethics, Compliance, and Sustainability Committee on the risk map concerning ethics and compliance, social responsibility and sustainable development and on the procedures in place for preventing the identified risks;
- to examine and review, on an annual basis, the organisation and operation of the internal audit; the Committee approves the internal audit programme, monitors its development and the results of its plans of action;
- to review with the Statutory Auditors the nature, scope, and results of their audit and work performed; and to review their comments and suggestions, in particular those relating to internal control and risk management procedures, to accounting practices and to the internal audit programme;
- to examine and provide the Board of Directors with its opinion on the Chairman of the Board of Director's draft report to shareholders at the general Shareholders' Meeting on the internal controls and risk management procedures implemented by the Company;
- to review and control if any the call for tenders procedure associated with the selection of Statutory Auditors and provide the Board of Directors with a recommendation on the Statutory Auditors proposed for appointment by shareholders at the general Shareholders' Meeting and on the amount of fees that the Company intends to pay them;
- to approve the Statutory Audit Charter governing relations with the Statutory Auditors and examine, on an annual basis, the amount of the fees paid by the Group to the networks to which such Statutory Auditors belong, including fees that are not directly linked to the Statutory Auditors' duties;
- to oversee the Statutory Auditors' independence, to examine with them, if applicable, the risks that 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 Statutory Auditors will attend meetings.

Activity report of the Audit Committee for fiscal year 2015/16

The Audit Committee met four times during fiscal year 2015/16 (four times during fiscal year 2014/15). The attendance level was 95% (95% for previous fiscal year).

The Chief Financial Officer, the Vice President of Internal Audit, the Group Controller and the representative of the two independent audit firms were in attendance at all four meetings, the Group General Counsel having attended three of them. Other Senior Management including the Chief Information Officer, the Head of Treasury, the Director of the transformation project in the context of the sale of its Energy businesses to General Electric, as well as representatives of Sectors' Financial Departments attended the Committee meetings.

The Committee reviewed the Statutory and Consolidated Financial Statements as of 31 March 2015 as well as the half-year consolidated accounts as of 30 September 2015 (financial statements, notes and management or activity reports) in May and November 2015 respectively. In May 2015, the Committee also reviewed the Registration Document (for the fiscal year ended 31 March 2015 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 approved.

On the basis of the presentations 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 evolution, of the off-balance sheet commitments and of provisions. At the end of each meeting to review the accounts, the Chairman of the Audit Committee met with the independent audit firms without management being present to enquire as to whether all the relevant issues have been raised by them.

In October 2015, the reporting and accounting treatment in the condensed interim consolidated financial statements linked to the transaction contemplated with General Electric were presented by the Group Controller and Statutory Auditors to the Audit Committee. The Vice President of Internal Audit also presented an Internal Audit/Internal Control update.

Also in October 2015, 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 2016.

During the same meeting in October 2015, the Chief Information Officer presented in detail the evolution of internal controls related to Alstom Information Systems and Technology, and the Director of the transformation project made a detailed presentation on transitional concerns related to the transaction with General Electric.

In March 2016, the risk map – a risk identification and follow-up tool embedded in the Budget/Three year plan – as well as the action plans implemented were examined. The Vice President of Internal Audit presented the updated results.

The Vice President of Internal Audit presented the Internal Audit half-year and full year activity reports for 2015 and the proposed internal audit plan for the next year was reviewed and approved.

The Committee examined the amount of fees paid out to the statutory audit firms during the fiscal year 2015/16. The Statutory Auditors' Charter includes the listing of pre-approved services that can be performed within defined limits by the independent audit firms. The Committee ensured that the work performed by the statutory audit firms was within their guidelines.

After each meeting, the Committee reported to the Board on its work and provided comments on key issues and proposals for improvements.

The Nominations and Remuneration Committee

The Nominations and Remuneration Committee, formed in 1998, is currently composed of five members: Mr Gérard Hauser, Chairman of the Committee, Ms Candace K. Beinecke, Mr Olivier Bouygues, Mr Klaus Mangold and Ms Sylvie Rucar (who is also a member of the Ethics, Compliance and Sustainability Committee). At the end of the Shareholders' Meeting dated 30 June 2015, the Board decided to appoint Lead Director Mr Gérard Hauser as Chairman of the Committee. Mr Gérard Hauser thereby replaces Mr Jean-Martin Floz who had chaired the Committee since July 2014.

Three members of the Committee out of five are independent, including the Chairman, which complies with the AFEP-MEDEF Code's recommendation to have a majority of independent members in Remuneration Committees.

Duties

As stated in its Internal Rules, the Committee reviews and makes proposals or gives its opinion to the Board of Directors on the following subjects:

- the separation or combining of the functions of Chairman of the Board of Directors and Chief Executive Officer of the Company;
- the nomination (or revocation) of the Chairman of the Board of Directors and of the Chief Executive Officer;
- the nomination of new Directors including in case of unforeseeable vacancy; in particular, the Committee organises an appropriate procedure for selecting future independent Directors and makes its own independent research on potential candidates prior to their being approached;
- the nomination (or revocation), upon proposal of the Chief Executive Officer, of any other Executive Directors *(dirigeants mandataires sociaux)* and members of the Executive Committee;
- the succession plans for the Company's Executive Directors;
- the compliance by the Company with corporate governance principles that the Company abides by, notably regarding the policy with respect to the remuneration of the Executive Directors. The Committee advises the Board on the part of the Annual Report dedicated to the shareholders' information on these matters and on Board's work;
- the Board and Committees' composition and functioning (including the Nominations and Remuneration Committee);
- the Company's definition of an independent Director and the list of independent Directors to be inserted in the Company's Annual Report;

- all the elements comprising the compensation to be paid to the Executive Directors of the Company, including any award of stock options or performance-based shares, as well as compensation and benefits of any kind (including pensions and termination benefits) also paid to them by the Company or companies belonging to the Group. The Committee notably reviews and defines the rules for determining the variable part of such compensation, ensures their coherence with the annual performance evaluation and the strategy of the Company, and thereafter controls the implementation of these rules;
- the Company's general policy relating to stock option plans including the granting, timing and frequency of allocations, and any proposed stock option plans including the proposed beneficiaries;
- the Company's general policy relating to employee share purchase schemes and any proposed schemes;
- the Directors' fees and the conditions for their award.

The 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 of Directors and its Committees to be implemented at least every three years and, outside of the presence of the Directors concerned, prepares the annual performance evaluation of the Chairman of the Board and of the Company's Executive Directors based on the principles applied to other Senior Corporate Executives.

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

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

Activity report of the Nominations and Remuneration Committee for fiscal year 2015/16

The Nominations and Remuneration Committee met five times during fiscal year 2015/16 (five times during the previous fiscal year) and the Members' attendance rate at these meetings was 84% (83% for fiscal year 2014/15).

In the context of its corporate governance duties and its annual review of the Company's practices, the Committee suggested the candidacy of new Directors to the Board, namely, Ms Géraldine Picaud, Ms Sylvie Rucar and Mr Henri Poupart-Lafarge, who were appointed at the General Shareholders' Meeting dated 30 June 2015.

The Committee recommended the Board of Directors maintain the Chairman and Chief Executive Officer functions combined as one, suggested the appointment of Mr Henri Poupart-Lafarge as Mr Patrick Kron's successor in the functions of Chairman and Chief Executive Officer after the latter had announced his desire to retire and leave the presidency of the Company following the sale of the Energy business to General Electric. The Committee recommended some conditions to the Board, applicable to the new Chairman and Chief Executive Officers' mandate, and approved the composition and role of the Company's new Executive Committee after it refocused on the Transport business. Lastly, the Committee discussed how to modify the composition of the Board of Directors and various Committees to comply with governance rules linked to regulations and changes to the AFEP-MEDEF Code, as amended in November 2015.

The Committee also discussed the planned treatment of long-term incentive plans following the Public share buy-back offer (hereinafter "OPRA") and recommended the modification of active plans such that the conditions for exercising one's stock options are amended based on the regulations specifically concerning each of the plans concerned. The Committee also recommended that the Board adjust the number of performance shares granted to employees but not yet delivered, in order to mitigate the impact the share capital reduction would have on the value of the granted shares if carried out right after the OPRA.

Lastly, the Committee reviewed the "Performance Shares Plan 2016" and indicated its approval to the Board.

Regarding the remuneration paid to Mr Patrick Kron, Chairman and Chief Executive Officer until 31 January 2016, the Committee suggested that the Board of Directors approve the items concerning his prorated variable remuneration for the 2015/16 fiscal year, the exact value and the terms and conditions governing the payment of the exceptional conditional remuneration in the meaning of Article 23.2.3 paragraph 9 of the AFEP-MEDEF Code, which was subject to the General Shareholders' Meeting's approval of the transaction (this condition was satisfied on 19 December 2014), obtaining the necessary authorisations for the sale of the Energy businesses as well as effective employment at the Head of the Company on the day it is paid. The Committee also suggested the need to confirm the elements associated with Mr Patrick Kron's departure from the Company, in particular the value of supplemental pension plans to which he was eligible following the Board of Director's renewal decisions, confirmed by the General Shareholders' Meeting.

Regarding the remuneration of the new Chairman and Chief Executive Officer, Mr Henri Poupart-Lafarge, the Committee submitted proposals to the Board concerning the fixed remuneration payable to him as of his effective date of appointment, on 1 February 2016 until January 2018, and concerning the structure of his variable remuneration for the 2016/17 fiscal year. The Committee also examined the draft versions of the resolutions and Board of Directors' report concerning the advisory vote of shareholders on the elements of remuneration of the Chairman and Chief Executive Officer, presented at the General Shareholders' Meeting convened on 5 July 2016. It also received information concerning the remuneration of the new members of the Executive Committee, and approved such remuneration.

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

The Ethics, Compliance and Sustainability Committee

The **EC&S Committee,** created on 28 September 2010, consists of three members: Mr Pascal Colombani, Chairman of the Committee (who is also a member of the Audit Committee), Ms Sylvie Rucar (also a member of the Nominations and Remuneration Committee) and Ms Bi Yong Chungunco. At the end of the Shareholders' Meeting on 1 July 2014, the Board decided to appoint Mr Pascal Colombani as Chairman of the Committee, who replaces Mr Jean-Martin Folz, and appointed Ms Bi Yong Chungunco as a member of the Committee. Ms Sylvie Rucar joined the Committee in January 2016.

All three members of the Committee are independent.

Duties

As stated in its Internal Rules, the Committee reviews and makes proposals or recommendations to the Board on the following subjects:

With respect to ethics and compliance, the Committee reviews and monitors the Company's policies on ethics and compliance matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views.

The Committee is responsible for the following:

- to review the definition of the Group's core values and ethics and compliance policy;
- to review the organisation of the Ethics and Compliance function and make recommendations if any;
- to review the Group's Code of Ethics, rules and procedures (including procedures with third parties); the Committee is informed of the plans for their promotion and implementation;
- to receive on an annual basis, the presentation of the Group's risk map concerning ethics and compliance; it reviews the risks thus identified and is kept informed of their evolution and of the characteristics of their management systems;
- to receive from the Head of Ethics & Compliance function the annual activity report on the Company's ethics and compliance policy and actions undertaken; to review and recommend the proposed compliance action plan for the following year and to monitor its development;
- the Committee is informed of any possible cases of non-compliance with respect to the ethics and compliance policy, and reviews the actions plans carried out as a result of such cases;
- to review the liaison with stakeholders over ethical issues.

With respect to sustainable development, the Committee is responsible for:

- reviewing the Group's environmental policies and management systems, the human resource policies, policies with respect to relationships with stakeholders (customers, suppliers, local communities);
- receiving on an annual basis, the presentation of the Group's risk map concerning social responsibility and sustainable development and reviewing the risks thus identified while being kept informed of their evolution and of the characteristics of their management systems;
- reviewing and assessing the reporting and control procedures on non-financial indicators (environmental, health and safety, social reporting and indicators);
- reviewing the main lines of the Company's communication on corporate responsibility and sustainable development; the Committee is also responsible for reviewing the annual Board of Directors' draft report on the social and environmental impact of the Company's operations and providing the Board with its views on such report;
- reviewing and monitoring the ratings received by the Group from non-financial rating agencies.

The Committee provides an opinion to the Audit Committee on the risk map for ethics, compliance, social responsibility, and sustainable development, and on the procedures for preventing such risks from occurring.

Activity report of the EC&S Committee for fiscal year 2015/16

The EC&S Committee met three times during fiscal year 2015/16 (five times during the previous fiscal year). The attendance level was 100% for the meetings dated 4 May 2015 and 16 March 2016, while one Committee member was absent and excused from the meeting dated 4 November 2015.

The EC&S Committee reviewed and approved:

- the Ethics & Compliance key figures and statistics for the fiscal year 2015/16;
- the update of the Alstom Integrity Programme, including the new version of the Code of Ethics, the new Group Instruction on facilitation payments, the revised Group Instruction on joint ventures and consortia, the new e-Ethics module, the increase and implementation of the resources of the Ethics & Compliance team with the designation of additional Compliance Officers in each of the six regions in the Group's scope of consolidation following the sale of the Energy businesses to General Electric;
- the results of the Yearly Integrity Review during fiscal year 2014/15. The objective was to measure the efforts made by approximately 340 Senior Managers of Alstom to implement the Alstom Integrity Programme within the Group;
- the organisation principles of the Ethics & Compliance function of the new Alstom post-completion of the transaction contemplated with General Electric (and subject to such completion);
- the review of the first report for the U.S. Department of Justice in the context of obligations deriving from the agreement signed in December 2014.

At each meeting, the Committee was provided with updates on the significant on-going procedures and investigations, including investigations conducted by the U.S. Department of Justice and the UK Serious Fraud Office.

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The EC&S Committee also reviewed and approved the Group's sustainability activity and, in particular:

- the evolution of the organisation, the policy and the approach to sustainable development in the context of the transaction with General Electric;
- the actions taken and the results obtained concerning diversity;
- the consumption targets for energy consumed by solutions and operations, and the actions taken in the context of the Unit Nations Conference on Climate Change, COP21;
- the update of the Sustainable Development materiality matrix that takes into account Alstom's new scope of business activities.

It was kept informed of and reviewed the evaluations prepared by non-financial rating agencies.

It received information on how the Alstom Foundation is operating and on its objectives, as well as the selection of projects retained for the fiscal year. It continued to monitor the Group's environmental and occupational safety performance to which it continued to pay close attention. More specifically, the results about severe accidents were presented and discussed at each meeting of the Committee.

It also reviewed the main non-financial indicators used by the Group.

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The Committee received and discussed the Group's risk map concerning ethics, compliance, social responsibility and sustainable development and provided its opinion to the Audit Committee and the Board of Directors.

The EC&S Committee also approved its activity report for fiscal year 2014/15 and the "Sustainable Development" section of the Registration Document 2014/15, which includes the Board's report on social and environmental information and provides the objectives and indicators of the Group in these fields.

The Committee reported to the Board on its work regarding these matters.

Annual evaluation of the functioning of the Board and of the Committees and the follow up

Since 2004, the Board carries out annually a formal evaluation of its organisation and functioning pursuant to its Internal Rules, which is typically based on a questionnaire prepared by the Nominations and Remuneration Committee, sent to each Director, and processed independently. Every three years, it entrusts the preparation of these evaluations to a specialised independent expert, in compliance with the recommendations of the AFEP-MEFEF Code.

These Board of Directors evaluations cover notably the composition of the Board, the frequency and length of the meetings, the issues discussed and time devoted, the quality of the debates, the works of Committees, the information and the training provided to the 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 presented to the Board of Directors in May.

In accordance with the terms of the AFEP-MEDEF Code, the review and assessment of the functioning of the Board and its Committees are entrusted to external consultants, every three years, selected by the Nominations and Remuneration Committee. For fiscal year 2013/14, the Board of Directors decided to conduct a comprehensive and formal evaluation, entrusted to an external firm. In fiscal year 2015/16, like in fiscal year 2014/15, the Lead Director interviewed each Director individually, asking questions related to the following key matters: the Board's composition and experience, the quality of the agenda at Board meetings, the information the Directors receive, the quality of the discussions and the remuneration method employed by the Board.

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

As of 31 March 2016, Alstom's Executive and Non-Executive Directors are the twelve members of the Board. The Chairman and Chief Executive Officer, Mr Henri Poupart-Lafarge, 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.

At the General Shareholders' Meeting dated 30 June 2015, the shareholders approved by a majority of 87.18% the elements of the compensation due or attributed to Mr Patrick Kron, who was Chairman and Chief Executive Officer at that time, for the 2014/15 fiscal year. Such elements were submitted to the advisory vote of the General Shareholders' Meeting in accordance with the AFEP-MEDEF Code.

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 comes with an entirely conditional grant of performance shares. All of the potential or acquired elements of compensation are made public after the Board meeting during which they were determined.

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

These analysis 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 and SBF 120 (level and evolution of the remuneration, respective ratio of each of the components of the remuneration) and of international companies operating in similar sectors.

The remuneration policy is then defined in such a way as to take into account the interest and the strategy of the Company, its performance and the evolution of the Executive Director's remuneration over several years. It takes specific situations into account and, as such, can trigger the grant of exceptional remuneration under exceptional circumstances. It is consistent with the remuneration policy applicable to all of the executive managers of the Group.

Annual remuneration

Fixed remuneration

For fiscal year 2015/16,

- The total fixed remuneration paid to Mr Patrick Kron amounted to €1,000,000 for the period running from 1 April 2015 to 31 January 2016, or €1,200,000 on an annual basis, unchanged relative to the previous fiscal year.
- The total fixed remuneration paid to Mr Henri Poupart-Lafarge amounted to €125,000 for the period running from 1 February 2016 to 31 March 2016, or €750,000 on an annual basis.

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 €)*	Fiscal year 2014/15 *(in €)*	Fiscal year 2015/16 *(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	1,200,000	1,000,000
Annual variable remuneration	1,430,000	1,500,000	1,300,000	1,000,000	1,075,000	1,160,000	1,420,000	1,034,000	1,268,000	1,158,000
(%/fixed)	(138%)	(145%)	(125%)	(94%)	(98%)	(103%)	(126%)	(86%)	(106%)	(115%)
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**	**2,468,000**	**2,158,000**

Since Mr Henri Poupart-Lafarge took office on 1 February 2016, it is not yet possible to prepare a remuneration table for him. However, it should be noted that the Company plans to continue to publish, on an annual basis, the remuneration of its Executive Directors as from the day they take office.

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, on one hand, a number of the Group's financial objectives and, on the other hand, specific qualitative objectives linked to the achievement of personal objectives that are reviewed every year and determined based on the strategic priorities defined for the Group. The Board of Directors determines the level of completion of these objectives and the amount of the variable part of the remuneration, based on the Nominations and Remuneration Committee's proposal, no later than at the meeting during which the Board approves the accounts for the fiscal year.

Since 2006, the variable remuneration of the Chairman and Chief Executive Officer was capped at 160% of his fixed remuneration and, provided set objectives are met, the variable remuneration target represents 100% of the fixed remuneration.

At its meeting dated 5 May 2015, the Board of Directors had determined that, like for the 2014/15 fiscal year, the variable remuneration payable to Mr Patrick Kron for the 2015/16 fiscal year would range from 0% to 160% of his fixed remuneration. One part would be linked to the Group's financial objectives and range from 0% to 80% of his fixed remuneration (with a 40% target) and another part would be linked to specific qualitative objectives ranging from 0% to 80% (with a 60% target).

The financial objectives associated with the Transport Sector would count for three fourths of the financial component, a 0 to 60% range of his fixed remuneration with a 30% target, it being specified that the indicators retained are the gross margin on orders received, operating income and margin, and free cash flow. The financial objectives associated with the Energy Sector would count for the one fourth of the financial component, or a 0 to 20% range with a 10% target, the indicators being operating margin and free cash flow.

The personal objectives should take into account, for one third of the total, indicators assessing the management of the Company during the transition period, for another third, the implementation of the Public Share Buyback Offer, and for the final third, the definition of the new corporate strategy once refocused on its Transport businesses.

At its meeting dated 28 January 2016 and based on the Nominations and Remuneration Committee's proposal, the Board of Directors noted that:

- regarding financial objectives, the level of completion associated with the Energy businesses or linked to the second half of the fiscal year or to the whole fiscal year would be considered as 100% complete, since Mr Kron's retirement prior to the publication of the results of the fiscal year does not allow for a real value assessment of the results obtained. Since the part linked to the Transport Sector can be measured at real value for the first half of the fiscal year, the overall variable part linked to financial objectives would be equal to 42.1% of the annual fixed remuneration, within a range of 0% to 80% (with a 40% target);
- for personal objectives,
  - the part associated with the management of the transition period could be valued at up to 26.67%, within the range of 0% to 26.67% (with a 20% target),
  - the part linked to the management of the OPRA could be valued at up to 26.67%, within the range of 0% to 26.67% (with a 20% target),
  - the part related to the definition of strategic priorities for the Transport businesses could be valued at up to 20%, within the range of 0% to 26.67% (with a 20% target).

  Therefore, the aggregate variable portion associated with personal goals would be equal to 73.33% of the gross fixed remuneration within the 0% to 80% range (with a 60% target).

As a result the Board of Directors determined that Mr Kron's variable remuneration for the 2015/16 fiscal year should be equal to €1,158,000, prorated to the period running from 1 April 2015 to 31 January 2016, corresponding to a goal attainment level of 115.4%.

Concerning Mr Henri Poupart-Lafarge, the Board of Directors determined, at its meeting dated 28 January 2016, based on the Nominations and Remuneration Committee's proposal, that the target variable remuneration is equal to 100% of the annual fixed remuneration and can vary within a range of 0% to 170% of such remuneration, broken down into two parts:

- one part associated with collective company objectives that can vary from 0% to 120%, with a 60% target;
- one part related to personal or qualitative objectives that can vary from 0% to 50%, with a 40% target.

Every year, the Board of Directors will set the collective and individual objectives.

At its meeting dated 10 May 2016 and based on the Nominations and Remuneration Committee's proposal, the Board of Directors noted that:

- for financial objectives based on four performance criteria, operating income and margin, free cash flow and margin on orders received, the evaluation should be established at 61.4% for a target at 60%;
- for personal objectives based on five performance criteria (definition of Alstom's organization after the deal with General Electric, sales performance, operational and financial performance, Alstom's image and employees' safety), the evaluation should be established at 36.5% for a target at 40%.

Therefore, the Board of Directors determined that the variable remuneration payable to Mr Henri Poupart-Lafarge for fiscal year 2015/16 is equal to 120,369 € as prorated relative to the period ranging from 1 February 2016 to 31 March 2016, corresponding to a 97.9% level of attainment of set objectives. The objectives of Mr Poupart-Lafarge as Transport Sector President from 1 April 2015 to 31 January 2016 were identical and have been evaluated at the same level of achievement, triggering an additional variable remuneration for said period based on a target of 60% of his fixed remuneration as an employee.

At its meeting dated 10 May 2016, based on the Nominations and Remuneration Committee's proposal, the Board confirmed that Mr Henri Poupart-Lafarge's variable remuneration structure for the 2016/17 fiscal year will be the same as that set by the Board of Directors at its meeting dated 28 January 2016.

Benefits in kind

The Chairman and Chief Executive Officer benefits from a Company car representing a benefit in kind of approximately €3,300 per year and from supplemental medical, death and disability coverage, which costs are partly borne by the Company.

Exceptional and conditional remuneration

At its meeting of 4 November 2015, the Board of Directors acknowledged the satisfaction of the conditions necessary for the payment of the exceptional conditional remuneration (in the meaning of Article 23.2.3, 9th paragraph of the AFEP-MEDEF Code) and had been approved at the General Shareholders meeting dated 30 June 2015 (87,18%) and which had been granted to Mr Patrick Kron at the meeting dated 4 November 2014 and the payment of which was subject to the approval of the transaction by the General Shareholders' Meeting (this condition was met on 19 December 2014) the receipt of all necessary authorisations for the sale of the Energy businesses to General Electric, as well as the actual presence of the executive officer as Chairman and Chief Executive Officer of the Company at the date of payment. Therefore, and based on the Nominations and Remuneration Committee's recommendation, it established that the amount of this exceptional variable remuneration is equal to €4,449,000 before tax, in other words the exchange value, in Euros, of 150,000 shares of the Company at the price of €29.66, or the average weighted price on the closing date of the transaction with General Electric, or on 2 November 2015.

Allocation of conditional stock options and/or performance shares

No conditional stock options and/or performance shares were granted to Mr Patrick Kron over the course of the 2015/16 fiscal year.

The Board of Directors, at its meeting held on 17 March 2016, granted Mr Henri Poupart-Lafarge 36,000 performance shares (the final vesting of which is subject to performance conditions and cannot take place prior to the publication of the results of the 2018/19 fiscal year) under the plan PSP 2016.

General characteristics of the allocation policy

The overall amount of the allocation, 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.

The main characteristics of the allocation policy applied to the Chairman and Chief Executive Officer comply with the November 2015 recommendations of the AFEP-MEDEF Code (with the exception of the acquisition requirement, as indicated below) and are the following:

- frequency: yes, allocation carried out annually, subject to exception;
- performance requirements: yes, since fiscal year 2015/16, 70% of the shares are allocated subject to the satisfaction of internal Group performance conditions over the course of three fiscal years following the grant date (see hereafter) and 30% are allocated based on external performance conditions assessed at the end of the third year;
- limits applicable to the allocation: yes, since fiscal year 2009/10 (see hereafter);
- holding requirement: yes, stricter requirements applied during fiscal year 2013/14 (see hereafter);
- acquisition requirement associated with the grant of performance shares: no, eliminated during fiscal year 2013/14 as a result of implementing stricter holding requirements on the Chairman and Chief Executive Officer (see hereafter);
- use of hedging instruments prohibited: yes;
- periods during which the sale of shares is prohibited: yes.

The general characteristics of the 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 page 201 of the Registration Document for the 2015/16 fiscal year filed with the AMF. In addition, grants are carried out in compliance with allocation sub-ceilings applicable to Executive Officer, and set in the resolutions of the General Meeting.

The Board of Directors, at its meeting dated 17 March 2016, reiterated the following principles regarding grants to Executive Officer based on the November 2015 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 free shares within the Group.

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 or her duties.

Regarding the grant received on 17 March 2016, the Chairman and Chief Executive Officer is required to hold, in registered form, 50% of the performance shares definitively granted to him at expiration of the vesting period.

This holding requirement will cease to apply when the Chairman and Chief Executive Officer reaches a retention target of shares held in registered form corresponding to a value of three years of his last annual gross fixed remuneration. The calculation will be made while taking into account the market price of the share at the time the performance shares are definitively granted.

The Board of Directors, at its meeting dated 1 October 2013, decided that given the significant amount of the holding requirement, 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.

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, in March 2016 Mr Henri Poupart-Lafarge also confirmed his commitment, applicable during the full length of his term of office, to refrain from using hedging instruments on the performance shares granted by the Company. To the Company's knowledge, no hedging instrument has been set up.

Performance conditions

All of the performance shares granted to the Chairman and Chief Executive Officer, and to all other beneficiaries, are subject to demanding and predetermined internal performance conditions. As from 2016, an external performance criterion based on the performance of the Company's share have been added to these internal conditions: the Total Shareholder Return (TSR). The internal performance criteria retained by the Board of Directors at its meeting dated 17 March 2016, based on the Nominations and Remuneration Committee's proposal, are assessed relative to level of achievement of targets for ALSTOM's adjusted EBIT margin and free cash flow for the 2016/17, 2017/18 and 2018/19 fiscal years (please refer to Note 23 to the consolidated financial statements).

The rights to the allocation of performance shares and the conditional stock options previously granted to Mr Henri Poupart-Lafarge that have definitively vested based on the performance conditions specified in the plans are provided in page 187.

Allocation in respect of fiscal year 2015/16

The allocation received by Mr Henri Poupart-Lafarge under the 2016 plan (PSP 2016) decided by the Board of Directors on 17 March 2016, amounts to 36,000 performance shares. It represents 0.02% of the share capital as of the grant date. It also represents approximately 0.72% of the overall amount authorised by the Shareholders' Meeting dated 18 December 2016. As of the Plan grant date, the valuation of the performance shares according to the IFRS 2 method is equal to €560,746.

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.

With respect to the defined contribution plan, the rights are acquired annually and correspond to 1% of the annual remuneration up to four times the Social Security ceiling, 4% of the annual remuneration within a range of four to eight times the Social Security ceiling and 11% of the annual remuneration within a range of eight to twelve times the Social Security ceiling. Since 1 July 2014, 95% of said contributions are borne by the Company. The amount of contributions within the defined contribution plan was €25,724 for fiscal year 2015/16 of which €24,438 was paid by the Company, €20,319 to the benefit of Mr Kron and €4,119 to the benefit of Mr Poupart-Lafarge.

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

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:

- the vesting of the Chairman and Chief Executive Officer's rights is subject to a performance condition. At its meeting dated 28 January 2016, the Board of Directors decided that the Chairman and Chief Executive Officer's annual rights would only vest if the amount of variable remuneration he receives for the corresponding fiscal year reaches at least 50% of its target value;
- 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.

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.

Since 1 February 2016, due to changes in the legislation, the amount of the annual pension that could be paid to beneficiaries cannot exceed eight times the Social Security ceiling (assessed on the day the beneficiary goes into retirement). As such, the maximum income percentage over which the defined benefit 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.

The benefit obligation for the defined benefits plan is equal to €4,200,478 as at 31 March 2016, including an amount of €812,996 of taxes applicable to supplemental retirement schemes as increased since 1 January 2013 and then since 1 January 2015. A payment of €5,400,000 was made to AXA in order to allow for the payment of the €285,000 annual pension to which he was eligible.

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 described in Article L. 225-42-1 of the French Commercial Code, would be maintained without any change, and approved and authorised their renewal, insofar as necessary. These commitments were then approved once again at the General Shareholders' Meeting dated 26 June 2012.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, in his capacity as Chairman and Chief Executive Officer, concerned, 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.

At its meeting dated 5 May 2015, the Board of Directors decided that these commitments would once again be maintained, and approved and authorised their renewal. This decision was confirmed at the General Shareholders' Meeting dated 30 June 2015.

As a result, by resigning from his functions to go into retirement, Mr Kron benefited from the wind up of his vested rights with respect to his defined contribution and defined benefit pension plans. He also retains the right to exercise his stock options and his rights to performance shares as of the date of his departure, or on 31 January 2016.

Since then, the Chairman and Chief Executive Officer does not benefit from any specific measure protecting his vested rights under the defined benefit supplemental pension plan. In the event of a forced departure, he could not keep rights to the exercise of vesting stock options or to vesting performance shares granted in the context of his mandate during the last two plans. Furthermore, the Chairman and Chief Executive Office would benefit from a severance payment subject to performance conditions in the case of early termination of his social mandate. The severance payment would be equal to two years of his target remuneration, fixed and variable (to which would be applied a coefficient corresponding to the average level of attainment of targets applicable to his variable remuneration for the three years preceding his departure, capped at 100%) decreased by the value of the severance payment to which he could be eligible in case of early termination of his employment contract which has been suspended during his social mandate, i.e. €1,856,000. Consequently, the severance payment to which the Chairman and Chief Executive Officer could be entitled under his social mandate could not exceed €1,144,000.

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

Executive Directors as of 31 March 2015	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 (Until 31 January 2016)		No	Yes (see above)			No (see above)		No

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

Executive Directors as of 31 March 2016	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 (As from 1 February 2016)	Suspended		Yes (see above)		Yes (see above)			No

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

Directors' fees paid to the Directors

The Directors do not receive any compensation other than an attendance allowance ("Directors' fees"). The Chairman of the Board of Directors has waived his Directors' fees.

The Ordinary and Extraordinary Shareholders' Meeting of 1 July 2014 set at €1,300,000 the maximum annual amount of Directors' fees which can be distributed among the members of the Board of Directors. This increase in the maximum amount proved necessary in order to take into account the forecasted increase in the number of Board of Directors and Committees meetings during the 2014/15 fiscal year in connection with the receipt and review of the binding offer received from General Electric to acquire Alstom's Energy activities and, over the course of the 2015/16 fiscal year, in connection with the finalisation of the transaction with General Electric.

The Board of Directors sets the terms of granting the Directors' fees upon the Nominations and Remuneration Committee's proposal. The principles set in the Internal Rules of the Board of Directors are that the Directors' fees are made up of a fixed part and of a variable part for attending the meetings of the Board of Directors or of the Committees and that the Chairmen of the Committees are paid an additional fixed fee. Half of the fixed and variable parts are paid in the fiscal year concerned, while the balance is paid the following fiscal year.

According to the current terms of granting as modified by the Board of Directors, the Directors' fees were made of a fixed part worth €27,500 paid to each Director. The Chairman of the Audit Committee and each Chairman of the Nominations and Remuneration Committee and of the Ethics, Compliance and Sustainability Committee receive an additional amount of respectively €15,000 and €10,000 per year. In addition, each Director is paid €3,500 for attending the meetings of the Board and €3,000 for attending the meetings of the Committees of which she or he is a member. In addition, the Board of Directors decided to fix the annual amount of the Director's fees payable to the Lead Director at €27,500.

Based on these terms, the aggregate amount of Directors' fees paid during fiscal year 2015/16 is equal to €975,125.00 (€1,211,437.50 in the previous fiscal year). The amount due in respect of the fiscal year represented approximately 70% (€913,416.00) of the maximum annual amount authorised and at 40.5% the variable portion represented a predominant portion of the aggregate amount. Half of the fixed and variable parts were paid in fiscal year 2015/16, with the balance paid in fiscal year 2016/17.

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

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

TABLE 1 – SUMMARY TABLE OF THE COMPENSATION, CONDITIONAL STOCK OPTIONS AND PERFORMANCE SHARES ACCRUING TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2016

Patrick Kron **Chairman and Chief Executive Officer (until 31 January 2016)** [(1)]	**Fiscal year 2013/14** *(in €)*	**Fiscal year 2013/14** *(in €)*	**Fiscal year 2015/16** *(in €)*
Compensation due in respect of the fiscal year *(detailed in table 2)*	2,236,917	2,471,495	2,160,912
Valuation of the conditional stock options awarded during the fiscal year [(2)]	315,900	-	0
Valuation of the performance shares awarded during the fiscal year [(2)]	400,400	-	0
TOTAL	**2,953,217**	**2,471,495**	**2,160,912**

(1) The Chairman and Chief Executive Officer also benefited from an exceptional conditional compensation decided on 4 November 2014, and which was conditional upon the completion of the transaction with General Electric (please refer to page 181). It was capped at two years of his 2014/15 remuneration (fixed and variable "target"). A provision had been accounted in respect of this remuneration in the financial statements established as of 31 March 2015. It was paid out over the course of the 2015/16 fiscal year in the amount of €4,449,000.

(2) These amounts correspond to the valuation of the stock options and performance shares on the grant date of the Plan according to IFRS 2, after taking into account a discount associated with the probability of continued employment within the Company and before taking into account the spread-out effect of the charge (see Note 23 to the consolidated financial statements as of 31 March 2016).

Henri Poupart-Lafarge **Chairman and Chief Executive Officer (as from 1 February 2016)**	**Fiscal year 2015/16** *(in €)*
Compensation due in respect of the fiscal year *(detailed in table 2)*	245,919
Valuation of the performance shares awarded during the fiscal year [(1)]	560,746
TOTAL	**806,665**

(1) This amount corresponds to the valuation of the performance shares on the grant date of the Plan according to IFRS 2, after taking into account a discount associated with the probability of continued employment within the Company and before taking into account the spread-out effect of the charge (see Note 23 to the consolidated financial statements as of 31 March 2016).

TABLE 2 – SUMMARY TABLE OF THE COMPENSATION OF EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2016

	Fiscal Year 2013/14 (in €)		Fiscal Year 2014/15 (in €)		Fiscal Year 2015/16 (in €)	
Patrick Kron Chairman and Chief Executive Officer (until 31 January 2016)	**Due in respect of the fiscal year**	**Paid out during the fiscal year**	**Due in respect of the fiscal year**	**Paid out during the fiscal year**	**Due in respect of the fiscal year**	**Paid out during the fiscal year**
Fixed gross compensation	1,200,000	1,200,000	1,200,000	1,200,000	1,000,000	1,000,000
Variable gross compensation (1)	1,034,000	1,420,000	1,268,000	1,034,000	1,158,000	2,426,000
Extraordinary gross compensation (2)	-	-	-	-	4,449,000	4,449,000
Directors' fees (3)	-	-	-	-	-	-
Fringe benefits (4)	2,917	2,917	3,495	3,495	2,912	2,912
TOTAL	**2,236,917**	**2,622,917**	**2,471,495**	**2,237,495**	**6,609,912**	**7,877,912**

(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 above on page 179. Over the course of the 2015/16 fiscal year, Mr Kron benefited from the payment of variable remuneration owed to him with respect to the 2014/15 fiscal year and from the payment of prorated variable remuneration owed to him *with respect* to the 2015/16 fiscal year due to his retirement prior to the end of the fiscal year, in accordance with the terms and conditions established by the Board of Directors at its meeting dated 28 January 2016.
(2) The Chairman and Chief Executive Officer benefited from an exceptional conditional compensation decided on 4 November 2014, and which was conditional upon the completion of the transaction with General Electric (please refer to page 181).
(3) As from 1 April 2005, the Chairman and Chief Executive Officer waived his Directors' fees.
(4) Company car.

	Fiscal Year 2015/1616 (in €)	
Henri Poupart Lafarge Chairman and Chief Executive Officer (as from 1 February 2016)	**Due in respect of the fiscal year**	**Paid out during the fiscal year**
Fixed gross compensation	125,000	125,000
Variable gross compensation (1)	120,369	-
Extraordinary gross compensation	-	-
Directors' fees	-	-
Fringe benefits (2)	550	550
TOTAL	**245,919**	**125,550**

(1) The variable remuneration owed with respect to a given fiscal year is paid out in the following fiscal year. The criteria pursuant to which the variable remuneration was calculated and the terms and conditions applicable to setting this amount are described above on page 181.
(2) Company car.

TABLE 3 – TABLE OF NON-EXECUTIVE DIRECTOR'S FEES AND OTHER COMPENSATION AS OF 31 MARCH 2015 (1)

	Fiscal Year 2014/15		Fiscal Year 2015/16	
Non-Executive Directors	**Amounts due in respect of the fiscal year (in €)**	**Amounts paid out during the fiscal year (in €)**	**Amounts due in respect of the fiscal year (in €)**	**Amounts paid out during the fiscal year (in €)**
Candace K. Beinecke	85,500.00	88,500.00	67,500.00	65.000.00
Olivier Bourges (2)	-	-	5,791.00	-
Olivier Bouygues	85,500.00	75,500.00	74,500.00	68,000.00
Georges Chodron de Courcel (7)	13,375.00	47,125.00	-	-
Bi Yong Chungunco	47,625.00	13,875.00	64,500.00	61,000.00
Pascal Colombani	108,500.00	103,000.00	90,500.00,	90,500.00
Lalita D. Gupte (3)	92,000.00	91,500.00	50,625.00	71.500,00
Jean-Martin Folz (4)	147,500.00	127,250.00	26,250.00	88,750.00
Gérard Hauser	105,000.00	101,500.00	105,625.00	83,875.00
Katrina Landis (3)	85,500.00	85,500.00	48,125.00	68,000.00
James W. Leng (4)	104,000.00	105,500.00	16,875.00	60,625.00
Klaus Mangold	88,500.00	85,000.00	64,500.00	74,500.00
Amparo Moraleda (4)	92,000.00	84,562.50	13,375.00	54,125.00
Géraldine Picaud (5)	-	-	54,125.00	13,875.00
Sylvie Rucar (5)	-	-	67,125.00	17,375.00
Alan Thomson	117,000.00	114,625.00	89,500.00	86,500.00
Bouygues (6)	92,000.00	88,000.00	74,500,00	71,500.00
TOTAL	**1,264,000.00**	**1,211,437.50**	**913,416.00**	**975,125.00**

(1) Gross amounts. The Non-Executive Directors do not receive any other compensation from the Company or companies of the Group.
(2) Appointed at the General Shareholders' Meeting dated 18 December 2015.
(3) Director until 31 December 2015.
(4) Director until 30 June 2015.
(5) Director since 30 June 2015.
(6) Director whose permanent representative is Mr Philippe Marien.
(7) Director until 1 July 2014.

Half of the Director's fees distributed among the Non-Executive Directors are paid during the fiscal year (fees in respect of the first half of the fiscal year) and the remaining part during the following fiscal year (fees in respect of the second half of the fiscal year), as indicated in the above table.

TABLE 4 – STOCK OPTIONS AWARDED DURING THE FISCAL YEAR 2015/16 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2016 BY THE COMPANY OR BY EACH COMPANY OF THE GROUP

No options were granted to either Mr Patrick Kron or Mr Henri Poupart-Lafarge during the 2015/16 fiscal year.

TABLE 5 — STOCK OPTIONS EXERCISED DURING FISCAL YEAR 2015/16 BY EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2016

Options exercised by the Executive Directors (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price *(in €)*	Award year
Patrick Kron Chairman and Chief Executive Officer (until 31 January 2016)	None	-	-	-
Henri Poupart-Lafarge Chairman and Chief Executive Officer (as from 1 February 2016)	None	-	-	-

The summary of the total number of stock options granted to Mr Henri Poupart-Lafarge in respect of his past functions, as of 10 May 2016, is the following:

	Number of options initially granted (1)	Number of exercisable options (1)	Unit exercise price *(in €)* (1)	Maturity date of options
Plan 2006 No. 9	74,706	74,706	32.48	27 September 2016
Plan 2007 No. 10 (LTI No. 10)	45,974	45,974	58.73	24 September 2017
Plan 2009 No. 12 (LTI No. 12)	34,485	13,794	43.48	20 September 2017
Plan 2010 No. 13 (LTI No. 13)	57,475	45,980	28.83	13 December 2018
Plan 2011 No. 14 (LTI No. 14)	45,976	32,184	22.96	3 October 2019
Plan 2012 No. 15 (LTI No. 15)	45,976	22,988	24.10	9 December 2020
Plan 2013 No. 16 (LTI No. 16)	34,480	34,480	23.44	30 September 2021

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008 and the share capital reduction carried out on 28 January 2016 following the share buy-back offer.

The summary of all stock options plans appears on page 202 of the Registration Document for the 2015/16 fiscal year filed with the AMF.

TABLE 6 – PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR 2015/16 TO EACH EXECUTIVE DIRECTOR AS OF 31 MARCH 2016 BY THE COMPANY OR THE GROUP

No right to performance shares was granted to Mr Patrick Kron over the course of the 2015/16 fiscal year. Under LTI Plan No. 15, 3,000 shares were delivered to him on 15 May 2015 and 2,000 shares were delivered to him on 9 November 2015 following the vesting period. These shares are subject to a two-year holding period.

36,000 rights to performance shares were granted to Mr Henri Poupart-Lafarge over the course of the 2015/16 fiscal year. Under LTI Plan No. 15, he received in respect of his past functions, 1,500 shares were delivered to him on 15 May 2015 and 1,000 shares were delivered to him on 9 November 2015 following the vesting period. These shares are subject to a two-year holding period.

The total of rights to performance shares held by Mr Henri Poupart-Lafarge as of 10 May 2016 is as follows:

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

(1) Entirely conditional allocations and a portion of the shares delivered is subject to a holding requirement until the expiry of Mr Henri Poupart-Lafarge's functions and until a target shareholding level is reached.
(2) The performance shares are valued on their grant date according to IFRS 2, after taking into account a discount associated with the probability of continued employment within the Company and before taking into account the spread-out effect of the charge (see Note 23 to the consolidated financial statements as of 31 March 2016).
(3) 70% are valued at €19.48 and 30% at €11.78 before taking into account a discount associated with the probability of presence.
(4) Grant in respect of past functions.
(5) Figures adjusted to take into account the share buy-back offer carried out on 28 January 2016.

Concerning Mr Patrick Kron, the summary of all performance shares plans appears on pages 245 and 246 of the Registration Document for the 2014/15 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 2016

Performance shares that have become available for the Executive Directors (nominative list)	Number and date of the plan	Number of shares that have become available during the fiscal year	Acquisition Terms	Delivery Date
Patrick Kron Chairman and Chief Executive Officer (until 31 January 2016)	None	-	-	-
Henri Poupart-Lafarge Chairman and Chief Executive Officer (as from 1 February 2016)	2010 (LTI No. 13)	3,200	80%	2013

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

Article of the AFEP-MEDEF Code	Explanations
Article 16.2.1 **(Review of the accounts)** 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, 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" on page 172 and page 173.)
Article 23.2.6 **(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 182.)
Article 23.2.4 **(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," page 181.)

Participation at Shareholders' Meetings

Any shareholder has the right to participate at Shareholders' Meetings under the conditions set forth by law and in Article 15 of the Company's Articles of Association. The provisions of Article 15 of the Articles of Association appear page 263 of the Registration Document for the 2015/16 fiscal year filed with the AMF and posted online on the Company's website.

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

Elements that could have an impact in the event of a public 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 page 277 of the Registration Document for the 2015/16 fiscal year filed with the AMF.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES' REPORT

As part of its operational activities, the Group is confronted with a number of both external and internal risks, as stated in the Risks Factors section of the Registration Document 2015/16 filed with the *Autorité des marchés financiers* ("AMF") (see page 137).

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 & Compliance Department, the Environmental, Health & Safety Department and the management team of the Research & Development Department.

Perimeter of internal control

The internal control system described herein covers Alstom and all its consolidated companies (the "Group" or "Alstom").

Reference framework

The Group has put in place a system of internal control procedures and evaluations initially based on control guidelines prepared by a recognised body, COSO (Committee of Sponsoring Organisations of the Treadway Commission).

The procedures are compliant with the AMF "Reference Framework" published in July 2010 and updated from time to time.

Objectives

The system of internal control put in place provides reasonable assurance that:

- the Group's Internal Rules and instructions including applicable laws and regulations are complied with at all times;
- information is complete, accurate and to the required quality, particularly financial information;
- operations are completed in an optimal manner and internal control processes are effective, particularly those concerning the safeguard of assets;
- achievement of business objectives are reached with identification and control of risk;
- the risk of fraud is minimised; and
- controls, including controls over risks, are widely understood at all levels within the Group and appropriate actions are taken to mitigate and minimise these risks.

Internal control consists of five inter-related components, which have been implemented within the Group:

- control environment covering integrity, ethics, competencies, authorities, responsibilities and staff development;
- risk assessment including the identification, analysis and minimisation of relevant risks;
- control activities, namely policies and procedures that ensure that Management's instructions are applied;
- information and reporting: information must be identified, captured and communicated in a format and timeframe to enable the relevant persons to carry out their responsibilities; and
- monitoring, including internal check and internal control procedures as well as internal audit: a process that assesses the quality of the systems performance over time and within a defined schedule.

By essence, an internal control system cannot provide a guarantee that such risks have been totally eliminated. It must bring them down to an acceptable level.

Components of internal control

Control environment

Organisation

The Internal Control Management Team is responsible for defining the internal control requirements as well as producing and updating the Internal Control Questionnaire and monitoring the results.

Where internal control weaknesses are identified, detailed action plans are put in place to correct these weaknesses in a timely manner with the support of the regional and operating teams, and overseen by the central Internal Control team under the responsibility of the Director of Internal Control.

The Internal Control Management Team communicates regularly with the Group's entities in order to share good practices and carry out any necessary changes.

Regions are organised into clusters composed of a numerous units each headed by a Managing and Finance Director responsible and accountable for their affairs including the control environment. In addition, a continuous improvement approach is taken with internal control regularly monitored at business review meetings.

Group Instructions and codes

The Group's control environment is governed by a series of Group Instructions that constitute the body of Internal Rules (the "Alstom Management System") and are posted on the Group's intranet site.

The Alstom Management System and its related instructions deal with issues of importance throughout the Company and are mandatory for the whole Group, including Regions, businesses, units, countries and functions. All units must ensure that any pre-existing procedures, policies, directives or other communications at any level are revised to comply with the instructions from the Alstom Management System.

The Alstom Management System is articulated around eight macro-processes, with a view to reach business and strategic objectives while complying with the Company's standards and referentials. Each macro-process is defined and detailed in a summary card, listing the main objectives, input and output data, activities, stakeholders, records and performance indicators.

- **Manage Strategy and Governance:** once a year, the long term strategy of the Company is reviewed by the Executive Committee taking into account market trends and performance against the short-term delivery objectives. The "Three Year Plan" provides content and ambitions elaborated, discussed and transmitted to the different parts of the organization and built from the Product Plans, the Commercial Plans and the Delivery Plans. Based on in-depth market analyses and in line with the vision and long-term strategy, the Product Portfolio is adapted and constitutes the baselines for the Region, TIS and Functions strategies.

  Meetings are organized at different levels of the Company to set priorities, define objectives, and monitor the progress of the actions.
- **Manage Standards and Referential:** this macro process is supported by dedicated procedures detailing the specific rules to be used by each function.
- **Manage Customer Relationship:** this process starts from the feedback and return on experience collected from the market and customers' expectations. Its objective is to ensure Alstom profitability while guaranteeing customer satisfaction. Each Region is responsible for its own design and implementation of this macro process.
- **Manage R&D and Product Plan:** the purpose of this macro-process is to generate then select innovative ideas primarily but not limited to the engineering, manufacturing and sourcing areas. The macro-process is articulated around the following governance and deliverables:
  - Innovation Boards evaluate, challenge then select innovative ideas;
  - Product and R&D plans are carried out by the platforms in close collaboration with the Regions and central marketing to review the Company product strategy and positioning. This process is driven by the annual marketing carousel which aims at capturing market trends, product requests expressed by clients, regional strategy, positioning and information on competitors;
  - R&D programs aim at developing new technologies, validating them before they are integrated in our products and service references, and developing products to answer future market needs;
  - the product plan encapsulates the decisions on the programs to be launched, and their related budgets. It is shared with senior management;
  - the programs are managed and improved through feed-back from tenders (Win/Loss analysis) and contracts execution (REX). The validation of the products and services resulting from R&D programs is a key element before they can be offered to customers;
  - the deliverables are identified in reference libraries used as inputs for tenders and references for contracts;
  - this process also covers activities linked to product sustaining up until the obsolescence and end-of-life, including eco-design management.
- **Manage Opportunities and Tenders:** this process aims at deploying the "Yes we care" approach Alstom seeks to have with its customers. It is structured around two main phases of (i) opportunities management and (ii) tender management. Business opportunities are reviewed at management level to ensure a sound level of selectivity and alignment to Commercial strategy. During tender preparation, a Tender Gate Review takes place with the objective of verifying that the tender contemplated meets the initial objectives and is based on realistic technico-economic responses. A positive outcome of the Tender Gate Review triggers a presentation of the proposed tender to management who authorizes, during the Tender Review Meeting, its submittal to the customer. For tenders deemed as strategic, a "Winning roadmap" is formalized to allow specific monitoring by senior management. If the contract is signed, the Transfer meeting ensures that the requirements identified during the tender phase are properly transferred, understood, acknowledged and committed to by the project team.
- **Manage Contracts execution:** the Regions are responsible for managing the execution of the contracts portfolio according to the commitments taken during the tender phase on safety, quality, cost and delivery. The various functions (*e.g.* Engineering, Sourcing, Supply Chain, Quality, Industrial) deliver their project contributions according to their commitments formalized in the tendering phase, and confirmed in the respective delivery Plans and specific project review meetings. The validation of a project's quality, costs and delivery parameters also takes places during project review meetings. The progress of this process is controlled through gate reviews, formally validating the decisions to move from one step to the next while controlling the associated risks.
- **Human Resources:** Alstom's Human Resources policy is based on the three core Alstom values: Team, Trust, Action. People management practices and processes are carried out in the objective of aligning personal competencies with the Company's strategy. People reviews are organized once a year for all the managers and professionals. They aim at identifying potential evolution, transfers, mobility, training, and addressing any potential issue of competence or positioning. In addition, specific actions are defined under the responsibility of the Human Resources function, to ensure a healthy and safe working environment. The EHS program is part of this strategy.
- **Finance:** the Finance function supports, challenges and controls the Group's businesses, operations and projects to optimize Alstom profitability and cash generation whilst providing internal and external stakeholders with timely, reliable and valuable financial information. To achieve this goal, the Finance Function is organized and has set its processes in order:
  - to provide accurate and timely financial information internally and externally using the same language throughout the Company through structured and efficient financial information systems;
  - to be the guardian of the rules, enhancing internal control by ensuring proper compliance with internal and external regulations and promotion of clear and efficient processes and instructions, ensuring compliance with local regulations, notably for tax and statutory accounts purpose;
  - to be a Business partner, contributing to the achievement of Alstom's global objectives and value creation in terms of cash generation, profitability, risk control and project execution, notably through adequate performance management processes.

Furthermore, the Alstom Management System requires strict compliance to the Code of Ethics and the Reporting and Accounting Manual.

Since its listing, the Group has implemented a Group Instruction which includes a Code of Conduct for preventing insider dealing. This code defines the situations where concerned persons must refrain from making any transactions on the Company's securities.

In its appendix, this Code includes a reminder of the legal provisions and sanctions. The Code, which is updated when necessary, is applicable to all managers and employees of Alstom who have regular or occasional access to inside information (defined as "insiders").

It is available on the Group's intranet and sent to all new insiders of whom the Company keeps an updated list. These persons are kept informed and must confirm receipt of their registration on the list of insiders.

This information includes the Group Instruction and Code of Conduct, along with the schedule of the general blackout periods during which the securities cannot be traded. The persons are also kept informed when they are removed from the list.

The Group has a Code of Ethics which applies to every employee within the Group. It promotes honest and ethical conduct with all stakeholders: customers, suppliers and contractors, competitors, shareholders, governments, regulatory authorities and the public.

The Code of Ethics prescribes fundamental rules of conduct, relating in particular to:

- full compliance with laws, regulations and requirements in all countries where the Group operates;
- prevention of corruption and prohibition of all unlawful payments and practices;
- competition compliance and prohibition of agreements with competitors;
- compliance with Alstom's internal rules and guidelines; and
- internal control and disclosure of information, to ensure the quality and reliability of financial information.

Also the Code of Ethics prescribes essential rules of conduct with regard to the way Alstom deals with its business partners, its role in the environment, the promotion of a team spirit and the commitments to protect the Group's assets.

The Code of Ethics was updated in November 2015. The topics addressed include the way Alstom deals with the customers, suppliers and contractors, sales partners, government procurement, export controls and trade restrictions, anti-money laundering, conflicts of interest, gifts and hospitality, the environmental protection, community relations, political contributions and activity, charitable contributions, sponsorship, respect of human rights, relationships with employees, career management for employees, equal opportunity and diversity, health and safety, security of employees, data privacy, the Group communication resources, respect for confidential information, intellectual property, prevention of insider dealing, communication with analysts and/or investors, communication with the media and the use of social networks.

The Code of Ethics also details the Alert Procedure which allows any employee or any person or third party entertaining a relationship with Alstom to report alleged violations of the Code of Ethics in strict compliance with the national regulations in force.

It introduces the Alstom Integrity Programme, implemented and monitored throughout the Group under the responsibility of the Chief Compliance Officer.

It refers to the Group Instructions and lists the most relevant for each topic. The Group Instructions treat in more detail the defined rules and procedures put in place to ensure the compliance with its fundamental principles and values.

The Code of Ethics is distributed to each employee and delivered to the Group's external stakeholders. It is available on the intranet website and Alstom's website (www.alstom.com/ethics). It has been translated into multiple languages.

Reporting and Accounting Manual

The Reporting and Accounting Manual defines the Group's policies and procedures regarding accounting and consolidation, definition of main financial indicators, reporting process and three-year plan, budget and forecasting processes.

Training

Since 2006 Alstom has developed appropriate trainings in order to ensure the requirements and basics of internal control are understood.

The training sessions on internal control are part of a continuous improvement initiative that involves the Regions and the Group's central corporate functions. Initially concentrated mainly on the finance community, an e-learning module specifically targeting the non-finance community has also been developed.

Risk mapping & risk management process

Objectives

Since fiscal year 2006/07, a yearly risk mapping review is undertaken, as part of the annual budget and three-year plan process.

The objective is to identify, analyse and to anticipate, the significant risks of the Group, and measure their evolution. And to ensure that the main identified risks are taken into account by the Group and to be sure that strategy and the mitigation actions implemented are efficient to control and to reduce these risks.

The risk assessment review was prepared with the contributions of the six Regions and of the corporate functions including, the Internal Audit and Internal Control Department, the finance function including the Tenders & Projects Control, Information Systems and Technology, Human Resources, Legal & Compliance and Environment Health & Safety. Corporate role is to ensure overall coordination between risk assessment owners.

Evaluation

The update of the risks mapping and the main characteristics of the risk management system are presented during the fiscal year to the Audit Committee.

The Ethics, Compliance and Sustainability Committee reviews the risks mapping regarding ethics, compliance, sustainable development and social responsibility in order to advise Audit Committee about identified risks and existing risks prevention process.

The risk assessment process allows the Group to take into consideration the impact that uncertain events may have on the achievement of business objectives.

Such events are considered from two perspectives, likelihood and impact. Likelihood represents the possibility that a given event will occur and impact represents its effect. A combination of qualitative and quantitative methods is used in making an assessment.

The risks mapping exercise also allows to confirm that the appropriate insurance have been subscribed with regards to the insurable risks (see "Insurance" in the Risks section of the Registration Document 2015/16 filed with the AMF). By essence, risk assessment process is not meant to provide a guarantee on the risks assessment performed or on the full achievement of Group's objectives.

Risk management

Under the coordination of the Internal Control Department, Regions and Corporate functions update the risk assessment as part of the budget and three-year plan process.

For each Region, the risk assessment is approved by the management team under the control of the Region Senior Vice President. Risk assessment for transverse activities is made by the relevant Senior Corporate officer.

Each Region Senior Vice President is responsible for the effective management of risks within his or her Region. In addition, functional Vice Presidents (within finance, legal, human resources, ethics and compliance) are responsible for managing risks pertaining to their own processes.

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

Monitoring of internal control

Unit Management has the responsibility of maintaining internal control at all times. An Internal Control Questionnaire (or "Self-assessment Questionnaire") has been developed which differentiates requirements to units based on their contribution to the Group's financial statements, using a risk based approach and covering the Group consolidation perimeter. This Self-assessment Questionnaire is regularly reviewed in relation with the Group risks evolution.

Where the results of the Self-assessment Questionnaire indicate that controls are not at the required level, corrective action plans are required to be put in place. The progress of action plans is regularly followed up. The Self-assessment Questionnaire results are approved by unit Management (Finance and Managing Directors) and are subject to review by Internal Audit. The results are presented annually to the Audit Committee.

Good practices identified during this self-assessment process are promoted and broadcasted on the intranet site in order to ensure large information coverage to the units.

During the July 2015 Self-assessment Questionnaire review, over 1,000 users were mobilised.

Main actors of internal control and risk management

Main actors of internal control

Senior Management

The Chairman and Chief Executive Officer is responsible for the internal control and risk management systems and for ensuring that internal control and risk management procedures are designed and operated effectively within the Group. Management is responsible for developing, operating and monitoring the systems of internal control and for providing necessary assurance that it has done so.

Audit Committee

The Audit Committee reviews and evaluates twice a year the internal control procedures including those relating to financial information, contributing to the preparation of the financial statements of the Group. A review and evaluation of the risks mapping, including risk assessment and risk management is also made.

Within the Audit Committee, the scope of planned internal audit activities is reviewed in advance and the Internal Audit Department develops a plan and determines the allocation of resources.

The Audit Committee provides a report to the Board of Directors. For more information regarding the Audit Committee, see the first part of the corporate governance report.

Disclosure Committee

The Chairman and Chief Executive Officer and the Chief Financial Officer have established a Disclosure Committee at the central level in order to assist them in evaluating the effectiveness of the Group's disclosure controls and procedures that are designed to ensure that material financial and other information required to be disclosed is recorded, processed, summarised and reported on a timely basis and that appropriate information is communicated to the Management to allow timely decisions.

The Disclosure Committee is composed of the Chief Financial Officer, the General Counsel, the Vice President of Internal Audit and Internal Control, the Vice President Finance Controller and the Vice President Tenders & Projects Control.

The Disclosure Committee met twice during fiscal year 2015/16 under the Chairmanship of the Chief Financial Officer.

The consolidated financial statements for the fiscal year ended 31 March 2015 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 2015 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 Vice President of Internal Audit, who is in charge of the Department, reports to the Chairman and Chief Executive Officer and works in close cooperation with the Chief Financial Officer, the General Counsel and the Chief Compliance Officer.

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

The main role of the Internal Audit Department is to advise the Chairman and Chief Executive Officer and the Audit Committee on the adequacy and effectiveness of the internal control system in all phases of the Group's business. The Internal Audit Department operates in accordance with the terms of an Internal Audit Charter approved by the Audit Committee and has the authority to examine any and all aspects of operations.

In particular, the Internal Audit Department evaluates controls that promote:

- compliance with applicable laws and with internal policies and procedures;
- physical safeguarding of assets including risk identification;
- availability, reliability, integrity, confidentiality of information and reporting; and
- efficiency of business processes, functions, and activities.

Since 2009, information systems have been progressively developed. In early 2016, the means for investigating suspect fraud and ethics & compliance behaviour were added within the Internal Audit Department.

Internal Audit may participate in specific assignments such as acquisition and disposal operations, information system implementation, assistance mission or investigations. An additional role is to recommend improvement in the Group's procedures and whenever possible promote good practices.

The Internal Audit Department takes into account the risks mapping and risk profiles in assessing its audit programmes.

After each internal audit assignment, a report is issued setting out the audit findings and recommendations. The results are also summarised in the bi-annual internal audit activity reports, which are presented to the Audit Committee on the overall results of the internal audits as well as on any other matter which affects internal control. These reports provide the basis for the Audit Committee to review the effectiveness of the work performed by the Internal Audit Department.

Internal Control Department

The Internal Control function at Group level is responsible for promoting and coordinating all actions and projects aiming at defining the Group's requirements in terms of internal control, and updating the Internal Control Questionnaire. It is also in charge of following the global results of the Self-assessment campaigns, the main deficiencies identified in the Group's internal control and their respective action plans.

Ethics & Compliance

Ethics and Compliance stands as a top priority for Alstom, and the team has the responsibility of the Alstom Integrity Programme aiming at implementing the culture of integrity as well as the application of all the rules in relation to Business Ethics and Personal Integrity. In September 2010, the Board of Directors created the Ethics, Compliance and Sustainability Committee. Since its creation, it is comprised of three independent Directors.

The EC&S Committee reviews Alstom's policies on ethics and compliance matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views. The Chief Compliance Officer is its secretary.

The role of Ethics & Compliance at Group level is to:

- promote and explain Alstom's culture of integrity ensuring that the highest standards of integrity and ethics are applied throughout the Group;
- ensure compliance with international and national laws and regulations together with internal Group rules;
- prevent all illegal activity and unlawful payments;
- control the business partner selection process, including a prior check of these partners' integrity;
- implement all necessary rules and policies; and
- monitor the performance of the Alstom Integrity Programme on a continuous basis.

The Ethics & Compliance team comprises 13 employees. Ethics & Compliance has full authority and independence through its reporting to the Group General Counsel. The Chief Compliance Officer has direct access to Alstom's Chairman and Chief Executive Officer and to the EC&S Committee. The Chief Compliance Officer is fully independent and has an unfiltered access to the governing authorities of Alstom.

In addition to the Chief Compliance Officer, the Ethics & Compliance team comprises a Compliance Officer in charge of the Alstom Integrity Programme Development, a Compliance Officer in charge of the prior due diligence on the sales partners ("Due Diligence Manager") and a Compliance Officer in charge of checking & control of the payment to the sales partners ("Final Checking Manager").

The Region Compliance Officers in charge of the application of the Ethics & Compliance policy in their Regions report functionally to the Chief Compliance Officer while preserving a hierarchical relationship with the General Counsel for his or her Region.

In order to reinforce the resources of Ethics & Compliance team, since May 2010 Alstom has built a community of Ethics & Compliance Ambassadors, all of whom are volunteers promoting the Group's culture of integrity. There are approximately 160 such volunteers as of the date hereof.

Ethics & Compliance liaises regularly with Alstom Corporate functions in particular Legal, Finance, Internal Audit, Human Resources and Communication to better determine and promote Alstom ethical principles throughout the whole organisation. In particular, the Chief Compliance Officer, General Counsel, and the Vice President of Internal Audit meet at least once per month to decide which suspected fraud or compliance issues call for an investigation, as well as the type and scope of such investigation.

E&C Group Instructions provide detailed guidance to employees on rules and procedures to strictly apply in the areas of gift and hospitality, political contributions, charitable contributions, sponsorship, sales partners, consulting companies, conflicts of interest, prevention of corruption with suppliers and contractors and in the context of merger-consolidations, joint ventures and consortiums. In 2014 an additional Group Instruction on facilitation payments was released. It reminds that Alstom prohibits facilitation payments.

During fiscal year 2015/16, approximately 2,133 attendees have been trained on ethics and compliance, bringing the total population trained worldwide to approximately 4,000 attendees since the launch of the current training cycle in 2014.

To ensure that Managers and Professionals understand and adhere to the principles expressed in the Code of Ethics, the e-learning module called e-Ethics was launched worldwide in 2010. A new version of e-Ethics was deployed in March 2015. The completion of e-Ethics is mandatory for all Managers & Professionals in the Group. Henceforward they must retake and complete the module every two years.

Extensive communications have been deployed for employees and external stakeholders.

For employees to be well-informed:

- a dedicated, and regularly updated section on Alstom's intranet, entitled "Ethics & Compliance", containing not only the E&C Group Instructions but also information on Prevention of Corruption, a monthly Newsletter and Case studies providing tips to help employees to know how to react when facing an ethical dilemma;
- regular news in Alstom's weekly newspaper, Newsflash, and articles in local internal newspaper, whether at country or site levels;
- an educational video, available in English and French on the internet and the intranet, was released to address the topic of prevention of corruption;
- posters displayed in all locations.

For external stakeholders:

- a dedicated section, entitled "Ethics" on Alstom's internet web site, www.alstom.com. In this section, all the translations of the Code of Ethics are available and can be downloaded.

The Alert Procedure allows any employee or any person or third party in relationship with Alstom to report violations of anticorruption, competition, securities and accounting laws and regulations. It was modernized in July 2013 to add two additional means of reporting: a secure website (www.alstom.ethicspoint.com) and the toll-free hotline, both reachable 24 hours a day, 7 days a week, 365 days a year.

In May 2014 the Alstom Integrity Programme has been certified again by ETHIC Intelligence following an audit undertaken by the Swiss company SGS beginning of 2014. The renewed certification covers the entirety of the Alstom Integrity Programme, including respect for laws and rules, management of conflict of interest, gifts and hospitality, political contributions, charitable contributions, sponsorship, relationships with sales partners, consulting companies, suppliers, contractors, joint venture and consortium partners. All the measures, such as the Code of Ethics, the Group Instructions and the extensive internal communication and training efforts, have been taken into account.

Information Systems function

The Information Systems and Technology (IS&T) function is the central function, covering all of the Group's businesses and the main purpose of which is to provide IS&T solutions and services aiming to:

- support Alstom businesses, operations and projects;
- meet the strategic evolution of the Group, support business efficiency, process excellence and overall Regions productivity using optimised and innovative technology in a cost effective, secure and compliant way.

Many initiatives have been launched to reinforce IS&T internal control:

- IT assets management centralisation;
- infrastructures upgrade (WAN, LAN, telephony, Windows 7, Unified communication);
- decommissioning of obsolete systems and the rationalisation of existing solutions;
- new tool deployment to secure the workplace environment (Single-Sign-On, shared folders management systems, automatic password reset); and
- adaptation of the IS&T security policy to new disruptive trends (Cloud, BYOD, social network…).

The central management of the Group's systems and infrastructure strengthens its ability to manage the IS&T risk and ensures better control of IS&T activities. "Design Authority," "Operations" and "CIO Office" Departments assist the Group's CIO in setting IS&T principles, corporate architecture, processes and rules, and in applying common practices to services and standards.

Following the sale of the Energy businesses to General Electric, part of the infrastructure, systems, and solutions management activities are carried out by the Shared Services Center which was taken over by General Electric. These services are subject to a Transition Services Agreement (TSA) for a maximum two-year period, from November 2015 to November 2017. A specific governance structure was implemented to ensure the proper functioning of this services agreement, in compliance with the safety, confidentiality, and data protection rules in force. Concurrently, Alstom also implemented a program aimed at separating its information technology (IT) from the IT taken over by General Electric, which will provide Alstom with a fully autonomous systems and IT structure by the end of 2017.

Management of specific risks

Risks in relation to contracts

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

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

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

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

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

Risks related to financial markets

Corporate funding & treasury

The Funding and Treasury Department defines rules and procedures regarding cash management, currency risk hedging, as well as bonds and guarantees. In addition, it manages the related risks (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 27 to the consolidated financial statements for the fiscal year ended 31 March 2016.

Corporate Pension Committee

Pensions and other employee benefits are governed and monitored by the Corporate Pension Committee which is composed of the Corporate Treasury, Consolidation and Compensation & Benefits functions, according to the following principles:

- assets/liabilities management approach so that only risks necessary to cover Alstom's liabilities are taken;
- simplicity in the investment strategy to ensure visibility on the portfolio risk;
- a global policy on employee benefits to address principles for pension plan design, funding & investment, administration and governance;
- a responsibility chart whereby changes to plan design, funding & investment and administration must be authorised by designated Corporate officers.

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

Risks related to international trade

Until January 2014, Alstom used commercial advisors (sales consultants) to support its own commercial teams in a number of countries. Such commercial advisors were compensated on a "success fee" basis for the specific project they were selected for. 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 discontinued the hiring of such commercial advisors since 17 January 2014.

Alstom has deployed all its efforts since early 2000 to strengthen its internal procedures, increasing centralisation of control. In this perspective the Group Instruction for Dealing with Business Advisors has been revised and renamed into Group Instruction for Dealing with Sales Partners.

Additionally, a Group Instruction on Facilitation payments was released in 2014. It reminds that Alstom prohibits facilitation payments and describes the preventive steps for minimising the risk of being requested to pay a facilitation payment.

Legal risks

Legal function

The Legal Function is responsible for monitoring and mitigating risks arising out of the activities of the Group, as well participating in the Group's efforts to ensure full compliance with applicable laws and the Alstom Code of Ethics. Legal is comprised of Region Legal Departments and the Corporate Legal Department.

The Legal Function is headed by the Group General Counsel, reporting to the Chairman and Chief Executive Officer. The Group General Counsel attends all of the meetings of the Board of Directors, the EC&S Committee, and attends Audit Committee meetings when legal matters are discussed. He or she routinely provides an account of ongoing legal proceedings and investigations.

The Region Legal Departments are headed by Region General Counsels, who report hierarchically to the Group General Counsel and functionally to his or her Region Senior Vice-President. The Region Legal Departments are responsible for handling legal matters for their Region. They are in particular involved in the negotiation of contracts, from tendering to signature. They also participate in contract management risks and legal support throughout the project execution. The Region General Counsels also act in support of the Ethics and Compliance Team for the purpose of regionally relaying information for the deployment of the Group's integrity programme.

The main risks in relation to contract performance are presented in the Risks Factors section of the Registration Document 2015/16 filed with the AMF.

The Corporate Legal Department includes the following Departments: (i) Ethics and Compliance (ii) General Counsel on Governance, Finance Law, and Securities Law, (iii) General Counsel for Mergers & Acquisitions, Disputes, and Competition, (iv) General Counsel for Transactions and Transformation, and (v) General Counsel for Intellectual Property. It provides legal assistance to the Board of Directors and senior management, to other corporate functions and Regions, as appropriate, in dispute resolution, acquisitions and disposals of businesses, finance and stock market law, insurance, intellectual property, competition law, sourcing and criminal law. For more specific information on the Ethics & Compliance and the actions taken to mitigate the risks of illicit practices, please refer to the sections entitled "Corporate Governance – Chairman of the Board of Directors' Report – Report on the internal control and risk management procedures – Ethics & Compliance".

In particular, the Corporate Legal Department handles major disputes affecting the whole Group and compliance matters involving criminal investigations. It monitors the Group exposure reporting relating to disputes and prepares the Group Annual Litigation Report concerning the status of the main potential and pending law suits which is submitted annually to the Corporate Disclosure Committee, the Audit Committee and the Group Statutory Auditors. Legal provides training on the management of legal risks at all levels of the Group.

The Corporate Legal Department is responsible for the implementation of the programme developed by the Group aiming to prevent any anti-competitive activity in the course of the Group's activities and to ensure the compliance by all employees with the Code of Ethics, the laws and regulations in the area of competition law in the countries where Alstom carries out its activities.

This programme which has been reinforced since 2012, applies to all Group employees who are involved directly or indirectly in the management of Group companies, in commercial activities or who are in contact with competitors, customers, suppliers, sub-contractors, distributors or resellers. Under the responsibility of the Legal Department, it is deployed on a continuous basis in the countries where the Group carries out its activities *via* awareness and training sessions of officers and employees. These 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 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 2015/16 filed with the AMF.

Risks in relation to Environment, Health and Safety (EHS)

The Corporate Environment, Health, Safety (EHS) Department is responsible for defining the risk management policy with respect to the environment, health and safety in the workplace. It is supported in its mission by the EHS managers' network, organised per Region and per operational worksites, who ensure that the policy is properly implemented.

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 and water 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.

Particular attention is given to high risk activities performed by Group employees, suppliers or contractors during contracts execution.

A specific prevention plan is supervised by the Group VP EHS aiming to reduce the occurrence of severe accidents. This plan is regularly presented to the Group's Executive Committee (the "Alstom Zero Deviation Plan"). The assets & business interruption management is designed to minimise exposure to loss or damage and to ensure business continuity. This includes exposure to fire, breakdown, and natural catastrophes, as well as theft or deliberate damage.

External specialized assessors regularly perform audits and self-evaluation of fire prevention and natural disasters. During the fiscal year 14/15, 23 sites have been audited by an independent third party.

The EHS coordination guarantees the consistency of the prevention programmes at a central level and the EHS Roadmap update. The EHS performance indicators are gathered on a regular basis by a reporting system covering all the permanent businesses in order to guide the risk management approach.

During fiscal year 2014/15, 181 EHS audits were performed, in the plan to reduce serious accidents and control of high-risk activities: "Alstom 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 2016, 100% of the Group's industrial sites and 60% of regional centres with over 200 people have either obtained or maintained their ISO 14001 certification.

Risks in relation to the design 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.

The program Review Board governs up-stream new technologies and 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.

Concerning Transport Information Solutions (TIS) Activity, the review of R&D programs is done by the S&P (Systems & Products) reviews, which are also monitoring applicative projects.

Technology Development Quality process, which applies to new technologies, is supervised by Steering Committees involving R&D and Marketing management at the 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.

The risks occurring due to complex technologies are evaluated during each step of the R&D process. The validation steps of the new technologies allow the creation of new internal reference data base that reduce risks arising in new projects.

Concerning 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 operated products.

Technological, industrial, and contractual risks can occur when R&D competencies are commonly executed with a third party mainly during two main steps:

- innovative technology collaboration;
- licensing on innovative technologies and equipment.

In both cases the choice of the scientific, technical, or manufacturing third party partner is significant and is subject to a strict evaluation.

Risk management procedures pertaining to the safety of products and railway accident risk

The Group has several procedures to control the quality of its equipment before they are suitable for use, which are intended to limit the risk of a railway accident and ensure the safety of passengers. The analysis and demonstration processes put in place are used for all of the products/systems Alstom designs or integrates. In addition, they can be modified or adapted based on regulatory and/or contractual requirements.

A procedure exists for managing technical failures. It combines:

- a process for managing safety threats, which relies on risk assessment;
- a notification and monitoring process that includes the identification and manager notification of technical failures based on their impact on safety, as well as a routine follow-up of the resolution status of these problems, applicable at the various levels of the Transport Sector organisation.

This procedure also includes a crisis management process that takes into account the communication and public image aspects of such problems as well as their legal ramifications.

In addition, specific training on "Railway Safety" is provided to managers who have responsibilities in the manufacturing and market launch of equipment in order to introduce them to the challenges and requirements associated with the safety of its products.

Procedures for the production of the Group financial statements and other accounting and financial information

The accounts of reporting units are prepared in accordance with the Group's accounting policies. The data is then adjusted, where necessary, to produce the local statutory and tax accounts. Integrated consolidation software is used for both management reporting purposes and also to produce the Group financial statements. The consolidation software allows the reconciliation between contract data and financial reporting. The main reporting processes facilitate consolidation of financial data to produce the consolidated financial statements and forecast data, as well as regular management information.

Accounting standards

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements comply with accounting policies as detailed in Note 2 of the consolidated financial statements at 31 March 2016.

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 line by line 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 Regions, businesses or subsidiaries, as well as the transactions reflected in the accounts.

Financial information and reporting

Application and compliance with these principles, rules and procedures are under the direct responsibility of each unit Finance Director. All Finance Directors report directly to the financial officers of the relevant businesses and Regions and ultimately to the Group Chief Financial Officer.

Unit Finance Directors must ensure 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 2016.

Estimates of future cash flows reflect Management's current best estimates of the probable outflow of financial resources that will be required to settle contractual obligations. The estimates are therefore subject to change, due to changes in circumstances surrounding the execution of contracts.

Management regularly reviews the effectiveness of internal control over financial reporting, in particular to ensure the timeliness and accuracy of accounting for transactions and assets in circulation, it verifies that transactions have been recorded consistently, in accordance with IFRS as applied by the Group and as set out in the Reporting and Accounting Manual.

Saint-Ouen, 10 May 2016
The Chairman of the Board of Directors

EXECUTIVE COMMITTEE

COMPOSITION

Until 1 November 2015, the Executive Committee included the following persons:

	Main Function	Serving on Executive Committee since
Patrick Kron	Chairman and Chief Executive Officer	January 2003
Philippe Cochet	Executive Vice President; President of Thermal Power Sector	July 2011
Jérôme Pécresse	Executive Vice President; President of Renewable Power Sector	July 2011
Henri Poupart-Lafarge	Executive Vice President; President of Transport Sector	October 2004
Grégoire Poux-Guillaume	Executive Vice President; President of Grid Sector	July 2011
Jean-Jacques Morin	Chief Financial Officer	December 2014
Keith Carr	General Counsel	July 2011
Bruno Guillemet	Senior Vice President Human Resources	July 2011

The Executive Committee, composed as described above, met seven times during the 2015/16 fiscal year.

As from 2 November 2015, the Executive Committee includes the following persons:

	Main Function	Serving on Executive Committee since	Age
Patrick Kron	Chairman and Chief Executive Officer and member of the Executive Committee until 31 January 2016	January 2003	62
Henri Poupart-Lafarge	Member of the Executive Committee and Chairman and Chief Executive Officer as from 1 February 2016	October 2004	47
Dominique Pouliquen	Senior Vice President – Asia-Pacific	November 2015	56
Andreas Knitter	Senior Vice President – Europe	November 2015	51
Jean-Baptiste Eyméoud	Senior Vice President – France	November 2015	48
Michel Boccaccio	Senior Vice President – Latin America	November 2015	55
Gian-Luca Erbacci	Senior Vice President – Middle East and Africa	November 2015	54
Jérôme Wallut	Senior Vice President – North America	November 2015	52
Martin Vaujour (1)	Senior Vice President – CIS	November 2015	41
Pascal Cléré	Senior Vice President – Transport Information Solutions	November 2015	57
Thierry Best	Chief Operating Officer	November 2015	56
Marie-José Donsion	Senior Vice Président - Finance	November 2015	44
Mathias Klemptner	Senior Vice Président - Human Resources	November 2015	50
Pierrick Le Goff	General Counsel	November 2015	49

(1) Due to the repositioning of Alstom's business activities in Russia, Mr Martin Vaujour, who was transferred to TMH, Alstom's Russian joint venture, as of 1 April 2016, left the Executive Committee on 31 March 2016.

The Executive Committee, composed as described above, met three times over the course of the 2015/16 fiscal year.

COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

As a result of the Company's reorganisation following the sale of its Energy businesses to General Electric and, in particular, the complete renewal of the Executive Committee, the new composition which is described above (the Committee went from 8 to 13 members, all of whom were part of the prior structure of the Transport Sector and all of whom were newly appointed as members of the Executive Committee with the exception of Mr Henri Poupart-Lafarge), the remuneration described in this section has been received by the members of the Executive Committee based on its 31 March 2016 composition and has also been prorated to correspond to a full year.

The financial elements accounted for in the 2015/16 fiscal year and corresponding to the remuneration and benefits granted to members of the Executive Committee prior to 2 November 2015 and those granted to the Executive Committee based on its composition after 2 November 2015 are described in Note 33 to the Consolidated Financial Statements for the 2015/16 fiscal year.

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 2015/16, the variable compensation is tied, on the one hand, to meeting financial objectives for the Transport business in terms of operating income and margin, free cash flow and gross margin on orders received and, on the other hand, to reaching specific individual objectives. All members of the Executive Committee share the same financial objectives, irrespective of Region or Function. These objectives represent 60% of the variable remuneration target percentage for each Committee member, with the possibility of variation within a range of 0% to 120%. The specific individual objectives refer to the programs of priority actions included in the budgets and strategic plans. The Nominations and Remuneration Committee assesses the attainment of objectives linked to variable remuneration.

The variable remuneration level is based on best practices within the industry, compensation surveys and advice from specialised international counsels.

The overall amount of the gross compensation due, from 2 November 2015 to 31 March 2016, to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer's remuneration detailed on page 179, by the Company and the companies controlled by the Company within the meaning of Article L. 233-16 of the French Commercial Code, amounted to €1,966,605, or €4,719,852 for the full year.

The fixed component, for the period ranging from 2 November 2015 to 31 March 2016, represented €1,512,417, or €3,629,800 for the full year (twelve members of the Executive Committee for fiscal year 2015/16, excluding the Chairman and Chief Executive Officer) and the variable component linked to the results of fiscal year 2015/16 (evaluated at target) represents, for the period ranging from 2 November 2015 to 31 March 2016, €454,188, or €1,090,052 for the full year (twelve members of the Executive Committee for fiscal year 2015/16, excluding the Chairman and Chief Executive Officer).

Certain 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 accounted for the members of the Executive Committee (excluding the Chairman and Chief Executive Officer) is €1,094,411 as of 31 March 2016, including the provision for legal retirement indemnities and for taxes applicable to supplemental retirement schemes as increased since 1 January 2013 and then 1 January 2015. The total amount of contributions paid by the Group, within the defined contribution plans, was €42,907 for the period from 2 November 2015 to 31 March 2016 (excluding the Chairman and Chief Executive Officer), or €102,977 for the full year.

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 2016)

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

To the Shareholders,

In our capacity as Statutory Auditors of Alstom, and in accordance with article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the French Commercial Code for the year ended 31 March 2016.

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 and risk management procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, 31 May 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Édouard Demarcq	Cédric Haaser

INTERESTS OF THE OFFICERS AND EMPLOYEES IN THE SHARE CAPITAL

STOCK OPTIONS AND PERFORMANCE SHARE PLANS

Granting policy

Generally every year, the Company sets up a Long Term Incentive Plan in France and outside France within the framework of the authorisation granted by the General Shareholders' Meeting, pursuant to Articles L. 225-177 *et seq.* and to Articles L. 225-197 *et seq.* of the French Commercial Code. The Board of Directors grants these plans upon the proposal of the Nominations and Remuneration Committee, which reviews all terms, including the granting criteria. The awards are made with a regular frequency. In 2016, the Board of Directors decided to modify the period of grant in order to ensure that the grant date occurs closer to the beginning of the fiscal year. As such, PSP 2016 was granted on 17 March 2016. In the context of the Long-term Incentive Plans that were put in place starting in the 2007/08 fiscal year, the Board of Directors wanted to combine the allocation of stock options with the grant of free shares. The Board no longer plans to use stock options for these plans and subject the delivery of all shares to internal and external performance conditions and continued employment requirements (please refer to the characteristics of these plans, as set forth in subsequent pages).

The grants of performance shares vary according to beneficiaries' level of responsibility and performance, their number increasing as responsibility and performance levels increase. Beneficiaries of performance shares are generally selected among the executives of profit centres, functional executives, country presidents, managers of large projects and, more generally, holders of key salaried positions in Alstom, which have made a significant contribution to the Group's results.

Since 2004, the number of beneficiaries totals approximately 2% of total Group employees.

Individual grants to members of the Executive Committee are based on the level of responsibilities and are in line with market practice. They are granted under the terms of the plan and implemented annually; the characteristics of the performance shares granted to members of the Executive Committee are similar to those of all the other grants.

The plan granted on 17 March 2016 (PSP 2016) bears a number of performance shares corresponding to 0.43% of the share capital as of the grant date. For information on the grants awarded to the Chairman and Chief Executive Officer over the course of previous fiscal years, please refer to the section on the Compensation of Executive and Non-Executive Directors in the Chairman's report (see page 181).

Main characteristics of the performance shares

- Frequency: annual allocation. In 2016, the allocation has been completed in March in order to be closer to the beginning of the following fiscal year.
- Performance requirement: Yes, the definitive acquisition of all shares is subject to internal Group performance conditions to be met over a period of three fiscal years following the grant date, and to an external performance requirement to be met on the third fiscal year following the grant date of the performance shares.
- Final allocation: once in full at expiration of a period of around three years for all beneficiaries.
- Holding requirement: None.
- Specific holding requirement for members of the Executive Committee: Yes, since fiscal year 2007/08 (see below).

For all beneficiaries, the shares are allocated following an acquisition period of around three years following the date upon which the Board of Directors granted the rights, subject to satisfying internal performance conditions linked to the Company and, since 2016, an external performance condition based on the performance of the Alstom's share price. For the plan PSP 2016, this period is three years long for all beneficiaries. These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

The definitive allocation is also subject to conditions of continued employment within the Group, save in exceptional cases as provided for in the plan.

Requirement to hold the shares applicable to members of the Executive Committee – Rules of conduct

For each plan since the 2007 plan (LTI No. 10), the Board of Directors has set the custody requirements applicable to beneficiaries who are members of the Executive Committee.

Since 2016, for the entire period of time during which they serve on the Committee, such beneficiaries must hold, in registered form, a number of shares resulting from the free allocation granted in the context of these plans and corresponding to 25% of the definitive allocation of performance shares.

Moreover, rules of conduct applicable within the Group where inside information is held, prevent any sale of shares during periods preceding the approval of the Group's results and more generally when inside information is held. In addition to this lock-up requirement applicable only to insiders, specific legal obligations are also applicable to all recipients of performance shares, irrespective of whether or not they hold the status of insider. Such obligations preclude them from selling any performance shares during certain periods determined by law.

Summary of the main characteristics of the stock options plans granted outstanding at the end of fiscal year 2015/16

The total number of options that could be exercised according to the outstanding plans corresponds to 3.58% of the share capital as of 31 March 2016. The main characteristics of all stocks option plans implemented by the Company and outstanding as of 31 March 2016 are summarised below. No other company of the Group has implemented stocks option plans giving right to the Company's shares.

	Plan No. 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	26 June 2007	26 June 2007	22 June 2010	22 June 2010	22 June 2010	2 July 2013
Date of Board meeting	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)(2)	€37.33	€67.50	€49.98	€33.14	€26.39	€27.70	€26.94
Adjusted post-OPRA exercise price (2)	€32.48	€58.73	€43.48	€28.83	€22.96	€24.10	€23.44
Beginning of stock options exercise period	28 Sept. 2009	25 Sept. 2010	21 Sept. 2012	13 Dec. 2013	4 Oct. 2014	10 Dec. 2015	3 Oct. 2016
Expiry date	27 Sept. 2016	24 Sept. 2017	20 Sept. 2017	12 Dec. 2018	3 Oct. 2019	9 Dec. 2020	30 Sept. 2021
Number of beneficiaries	1,053	1,196	436	528	514	538	292
Total number of options (adjusted if any) (2)	3,870,345	1,950,639	1,001,612 (4)	1,419,767 (5)	1,573,723 (6)	1,508,777 (7)	771,997
Total number of exercised options (adjusted) (2)	605,711	1,150	-	-	75,178	26,760	-
Total number of cancelled options (2)	539,870	329,751	650,183	463,353	694,249	803,615	68,485
Number of remaining options to be exercised as of 31 March 2016 (2)	2,724,764	1,619,738	351,429	956,414	804,296	678,402	703,512
Percentage of capital as of 31 March 2016 that may be created	1.243%	0.739%	0.160%	0.436%	0.367%	0.310%	0.321%
Number of shares that may be subscribed as of 31 March 2016 by members of the Executive Committee (2)(3)	111,683	67,586	23,408	89,622	69,680	57,198	71,608
of which number of shares that may be subscribed by Mr Henri Poupart-Lafarge as of 31 March 2016	74,706	45,974	13,794	45,980	32,184	22,988	34,480

(1) Undiscounted price corresponding to the average opening price of the share during the twenty French stock market trading days preceding the Board of Directors' meeting that granted the plan.
(2) Stock option plans 9 and 10 were adjusted in order to take into account the two for one split in the par value of the share from €14 to €7 carried out on 7 July 2008. The stock options plans were adjusted on 28 January 2016 to take into account the share capital reduction following the Public share buy-back offer (OPRA).
(3) Refers to the members of the Executive Committee as of 31 March 2016 and not to those who were members of such Committee at the time of the grant.
(4) 60% of the stock options initially granted under LTI Plan 12 were cancelled based on the application of the performance condition linked to the results of the 2011/12 fiscal year (please refer to Note 22 to the consolidated financial statements for the 2013/14 fiscal year).
(5) 20% of the stock options initially granted under LTI Plan 13 were cancelled based on the application of the performance conditions linked to the results of the 2010/11, 2011/12, and 2012/13 fiscal years.
(6) 30% of the stock options initially granted under LTI Plan 14 were cancelled based on the application of the performance condition linked to the results of the 2011/12, 2012/13, and 2013/14 fiscal years (please refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year).
(7) 50% of the stock options initially granted under LTI Plan 15 were cancelled based on the application of the performance condition linked to the results of the 2012/13 and 2013/14 fiscal years (please refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year).

TERMS OF EXERCISE/PERFORMANCE CONDITIONS (8)(9)

Plan No. 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)
• 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%. **Performance condition fulfilled:** 100% of the options exercisable since 28 Sept. 2009.	• 100% of options can be exercised from 25 September 2010 if the 2009/10 Group operating margin (the "2009/10 Margin") is equal or above 8.5%. • 80% of options can be exercised if the 2009/10 Margin is between 8% (included) and 8.5% (excluded). • 40% of options can be exercised if the 2009/10 Margin is between 7.5% (included) and 8% (excluded). • No option can be exercised if the 2009/10 Margin is below 7.5%. **Performance condition fulfilled:** 100% of the options exercisable since 25 Sept. 2010.	• 100% of options can be exercised from 21 September 2012 if the 2011/12 Group operating margin (the "2011/12 Margin") is equal or above 8.7%. • 80% of options can be exercised if the 2011/12 Margin is between 8.2% (included) and 8.7% (excluded). • 60% of options can be exercised if the 2011/12 Margin is between 7.2% (included) and 8.2% (excluded). • 40% of options can be exercised if the 2011/12 Margin is between 6.5% (included) and 7.2% (excluded). • No option can be exercised if the 2011/12 Margin is below 6.5%. **Fulfilment of performance conditions:** 40% of the options initially granted are exercisable since 21 September 2012.	• The percentage of options which can be exercised from 13 December 2013 will vary according to predetermined levels of the Group's operating margin for the 2010/11, 2011/12 and 2012/13 fiscal years (the "Margins"). • 100% of options can be exercised if the Margins are equal or above 7.5%. • No option can be exercised if the Margins are below 6.5%. **Fulfilment of performance conditions:** 80% of the options initially granted are exercisable since 13 December 2013.	• The percentage of options which can be exercised from 4 October 2014 will vary according to predetermined levels of the Group's operating margin for the 2011/12, 2012/13 and 2013/14 fiscal years (the "Margins"). • 100% of options can be exercised if the Margins are equal or above 7.5%. • No option can be exercised if the Margins are below 6.5%. • For more details, refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year. **Fulfilment of performance conditions:** 70% of the options initially granted are exercisable since 4 October 2014.	• The percentage of options which can be exercised from 10 December 2015 will vary according to predetermined Group's operating margin levels for the 2012/13, 2013/14 and 2014/15 fiscal years (the "Margins") and requires a free cash flow ("FCF") above or equal to 0 for each fiscal year. • 100% of options can be exercised if the Margins are equal or above predetermined levels and the FCF is above or equal to 0 for each fiscal year. • No option can be exercised if the Margins are below 7% or the FCFs are negative. • The performance conditions relative to the 2014/15 fiscal year have been fulfilled as a result of the completion of the transaction with General Electric. • For more details, refer to Note 23 to the consolidated financial statements for the 2014/15 fiscal year. **Fulfilment of performance conditions:** 50% of the options initially granted are exercisable since 10 December 2015.	• The percentage of options which can be exercised will vary according to predetermined Group's operating margin levels for the 2014/15 and 2015/16 fiscal years (the "Margins") and requires a free cash flow ("FCF") above or equal to 0 for each fiscal year. • 100% of options can be exercised if the Margins are equal or above predetermined levels and the FCF is above or equal to 0 for each fiscal year. • No option can be exercised if the Margins are below 7.2% for Fiscal Year 2014/15 or 7.4% for Fiscal Year 2015/16 or the FCFs are negative. • The performance conditions relative to the 2014/15 and 2015/16 fiscal years have been fulfilled as a result of the completion of the transaction with General Electric. **Fulfilment of performance conditions:** 100% of the options initially granted are exercisable since 3 October 2015.

(8) The exercise is also subject to the satisfaction of a condition of continued employment within the Group, unless exceptions provided under the plan.
(9) The thresholds of the operating margin for fiscal year 2011/12 referred to in LTI No. 12 have been adjusted by the Board of Directors to take into account the temporary dilutive impact of the integration of Grid (see Note 21 to the financial statements for the 2010/11 fiscal year).

Only 40% of the stock options offered under LTI plan No. 12, 80% of the stock options offered under LTI plan No. 13, 70% of the stock options offered under LTI plan No. 14 and 50% of the options offered under LTI plan No. 15 became exercisable upon application of these plans' performance conditions.

Following the completion of the transaction with General Electric, 100% of the allocation applicable under LTI plan No. 16 will be exercisable (please refer to Note 23 to the consolidated financial statements for fiscal year 2015/16).

Conditional stock options granted to Alstom's Executive and Non-Executive Directors *(mandataires sociaux)* during fiscal year 2015/16 and options exercised by them

Over the course of the 2015/16 fiscal year, the Company did not grant any stock options to Mr Patrick Kron, the Chairman and Chief Executive Officer until 31 January 2016, or to Henri Poupart-Lafarge, the Chairman and Chief Executive Officer as from 1 February 2016, and only Executive Director of Alstom. The Chairman and Chief Executive Officer did not exercise any stock options over the course of the fiscal year.

The Company did not grant any stock options to any other Non-Executive Directors during the 2015/16 fiscal year.

Conditional stock options granted during fiscal year 2015/16 to the ten employees who are not Alstom's Executive or Non-Executive Directors and who received the largest number of options

No stock options were granted to employees who are neither Executive nor Non-Executive Directors during the 2015/16 fiscal year.

Stock options exercised during fiscal year 2015/16 by the ten employees who are not Alstom's Executive or Non-Executive Directors and who exercised the largest number of options

	Number of shares subscribed (*)	Average share price (*) *(in €)*
Total number of options exercised during the fiscal year by the ten first employees who are not Executive or Non-Executive Directors and who exercised the largest number of options	26,515	€17.88

(*) Relates to options in plan 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 2015/16

The total number of performance shares that could be created in connection with the free allocation of performance shares that have not yet been fully granted represents 1.01% of the share capital as of 31 March 2016 (subject to achievement of the performance conditions linked to fiscal years 2016/17, 2017/18 and 2018/19 – please refer to Note 23 to the consolidated financial statements for fiscal year 2015/16).

	2012 plan (LTI No. 15) (performance shares)	**2013 plan (LTI No. 16) (performance shares)**	**2016 plan (PSP 2016) (performance shares)**
Date of Shareholders' Meeting	22 June 2010	2 July 2013	18 December 2015
Date of Board meeting	6 November 2012	1 October 2013	17 March 2016
Initial number of beneficiaries	1,763 beneficiaries	1,814 beneficiaries	737 beneficiaries
Initial number of rights entitling their holders to an allocation of shares [(5)]	883,140 shares [(4)]	1,130,791 shares	957,975 shares
Definitively granted shares (adjusted) [(5)]	178,863 shares	678 shares	-
Adjusted number of remaining rights as of 31 March 2016 entitling their holders to an allocation of shares	214,087 shares	1,036,775 shares	957,975 shares
Final delivery of the shares (subject to performance conditions)	• For beneficiaries of French companies: 30% on 15 May 2015 and 20% on 9 November 2015 • For beneficiaries of companies outside France: 12 December 2016.	2 October 2017	The fifth business day following the date on which the consolidated financial statements for FY 2018/19 are published (or in May 2019)
Percentage of capital that may be created (calculated on the capital as of 31 March 2016) [(5)]	0.098%	0.473%	0.437%
Number of shares as of 31 March 2016 that may be delivered to members of the Executive Committee [(1)(3)(5)]	2,521 shares	53,449 shares	160,500 shares

	2012 plan (LTI No. 15) (performance shares)	2013 plan (LTI No. 16) (performance shares)	2016 plan (PSP 2016) (performance shares)
Performance conditions (2)	• 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. • The performance conditions relative to the 2014/15 fiscal year are deemed fulfilled as a result of the completion of the transaction with General Electric. For more details, refer to Note 23 to the consolidated financial statements for fiscal year 2015/16. **Satisfaction of the conditions:** 50% of the initially granted shares were or will be delivered based on the satisfaction of performance conditions.	• The percentage of shares to be delivered will vary according to the levels of the Alstom group's operating margin for the 2014/15 and 2015/16 fiscal years (the "Margins") while requiring an amount of Free Cash Flow ("FCF") higher than or equal to zero for each fiscal year. • 100% of the shares can be delivered if the Margins are equal to or higher than predetermined levels and the free cash flow for each fiscal year is equal to or higher than 0. • No share can be delivered if the Margins are lower than 7.2 for 2014/15 or 7.4% for 2015/16 or the free cash flows are negative. **Satisfaction of the conditions:** 100% of the initially granted shares will be delivered as the result of the completion of the transaction with General Electric.	The percentage of shares definitively delivered varies based on: • Two internal performance conditions: the recurrent Adjusted EBIT (Margin) and Free Cash Flow (FCF) These two conditions will be assessed at 2016/2017, 2017/18 and 2018/19 fiscal year-end. In order for 70% of the shares to be delivered, the Margins and the FCF must be higher than or equal to predetermined levels for each fiscal year. • Additionally, an external performance condition, assessed on the date of publication of the financial results for the 2018/19 fiscal year, based on the performance of the Company's share, calculated as the percentage change between the share price at the grant date and the share price on the publication date, corrected to reflect any potential dividends paid out during the vesting period ("Total Shareholder Return"), compared with the performance of the STOXX® Europe TMI Industrial Engineering Index (hereinafter the "Index") during the same periods. In order for 30% of the shares to be delivered, the performance of the share price cannot exceed or fall below the Index by more than a predetermined number of points.
Shares retention period	Two years, except for shares to be delivered on 12 December 2016 barring any exception set forth by the plan (3). The shares retention period applies only to beneficiaries of French companies.	None (3)	None (3)

(1) Refers to the Executive Committee as of 31 March 2016. The numbers of rights to which Mr Henri Poupart-Lafarge is entitled under plan LTI No 16 and PSP 2016 are presented in the section on the Compensation of Executive and Non-Executive Directors of the Chairman's report (see page 181).
(2) Final allocations are also contingent upon attendance requirements within the Group unless an exception is made within the plan.
(3) A specific holding requirement applies to the beneficiaries who are members of the Executive Committee (see page 181 for the Chairman and Chief Executive Officer and see page 201 for the other members of the Executive Committee).
(4) 50% of the rights initially granted under LTI plan No. 15 were cancelled upon application of the performance conditions linked to the results of the 2012/13 and 2013/14 fiscal years (see Note 23 to the consolidated financial statements for fiscal year 2014/15).
(5) Number adjusted to take into account the adjustment associated with the share capital reduction following the share buy-back offer (OPRA) carried out on 28 January 2016.

Under LTI plan No. 14, only 70% of the initial allocation was granted to beneficiaries in companies outside of France over the course of the 2015/16 fiscal year. Under LTI plan No. 15, only 50% of the rights to free shares definitively vested upon application of the performance condition applicable under such plans. Under LTI plan No. 16, 100% of the rights can vest as a result of the completion of the transaction with General Electric.

Free allocation of shares to Alstom's Executive and Non-Executive Directors *(mandataires sociaux)* during fiscal year 2015/16

Over the course of the 2015/16 fiscal year, 36,000 rights to performance shares were granted to Mr Henri Poupart-Lafarge, the Chairman and Chief Executive Officer and only Executive Director of Alstom as of 31 March 2016.

The total number of performance shares allocated to him definitively and free of charge over the course of the fiscal year under LTI plan No. 15 following the expiration of the vesting period is indicated in the section of the Chairman's report related to the compensation of Executive and Non-Executive Directors (see page 187).

No performance shares were allocated to any other Non-Executive Directors of the Company during the 2015/16 fiscal year or under any previously implemented plans.

Free shares allocated during fiscal year 2015/16 to the ten employees who are not Alstom's Executive or Non-Executive Directors and who received the largest number of free shares

Over the course of the 2015/16 fiscal year, the ten largest allocations of rights to performance shares represent an aggregate amount of 120,000 performance shares. Moreover, under LTI plans No. 14 and No. 15, over the course of the fiscal year, 7,028 aggregate performance shares were definitively granted free of charge, following the expiration of the vesting period, to the ten employees (who are neither Executive nor Non-Executive Directors) who were allocated the highest number of shares.

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)*	2013	2014	2015
Statutory employee profit sharing agreements	17.2	21.3	5.5

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 2015/16 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 following the end of fiscal year, *i.e.* 30 September of each year, at the latest. The amounts paid in respect of specific profit sharing plans for the past three fiscal years are as follows:

Fiscal year ended 31 March *(in € million)*	2013	2014	2015
Specific employee profit sharing plans	36.4	38.3	34.5

Employee savings plan and retirement savings plan

Alstom's French employees can invest their savings resulting from profit-sharing, specific profit-sharing, or voluntary savings in the Group Savings Plan not invested in the Company securities or in a collective savings and retirement plan ("PERCO"). This latter plan receives an employer matching contribution from the Company in the maximum amount of €500 for €1,500 contributed over the year. In 2015, the French employees contributed €9.4 million in the Group Savings Plan and €6.2 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. No capital increase was carried out in the context of the Group's savings plan over the course of the 2015/16 fiscal year. The most recent capital increase was carried out over the course of the 2008/09 fiscal year in the context of the "Alstom Sharing 2009" shareholding plan reserved for current employees (and former employees) of the Group with at least three months seniority, and was offered in 22 countries including France, *via* a "Two for One 2009" offering and a "classic" offering. Approximately 28% of the Group's eligible permanent staff as of that date (or approximately 18,400 employees) subscribed to this capital increase.

As of 31 March 2016, the Group's employees and former employees hold 1.35% of the Company's share capital, either directly or through a fund ("FCPE") (see page 273).

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 2015/16

The following transactions were registered with the AMF:

Notifying person	Financial instrument	Type of transaction	Number of transactions	Value of transactions
Pascal Colombani	Shares	Acquisition	1	€17,371.43
Sylvie Rucar	Shares	Acquisition	1	€3,876.82

RELATED-PARTY AGREEMENTS AND COMMITMENTS

See the Statutory Auditors' special report to the Shareholders' Meeting convened on 5 July 2016 (please refer to page 132).

STATUTORY AUDITORS

STATUTORY AUDITORS

PricewaterhouseCoopers Audit

represented by Mr Édouard Demarcq
63, rue de Villiers
92200 Neuilly-sur-Seine, France

Mazars

represented by Mr Cédric Haaser
61, rue Henri-Regnault
92400 Paris La Défense, France

The Statutory Auditors were appointed by the Ordinary Shareholders' Meeting held on 30 June 2015 for six fiscal years expiring at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for fiscal year 2020/21.

PricewaterhouseCoopers Audit and Mazars belong to the *"Compagnie régionale des Commissaires aux comptes de Versailles"*.

DEPUTY STATUTORY AUDITORS

Mr Jean-Christophe Georghiou

Deputy Statutory Auditor of PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine, France

Mr Jean-Maurice El Nouchi

Deputy Statutory Auditor of Mazars
61, rue Henri-Regnault
92400 Paris La Défense, France

The Deputy Statutory Auditors were appointed by the Ordinary Shareholders' Meeting held on 30 June 2015 for six fiscal years expiring at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for fiscal year 2020/21.

STATUTORY AUDITORS' FEES FOR FISCAL YEAR 2015/16

The Statutory Auditors' fees for fiscal year 2015/16 are included under Note 32 to the consolidated financial statements for fiscal year 2015/16.

STATUTORY AUDIT CHARTER

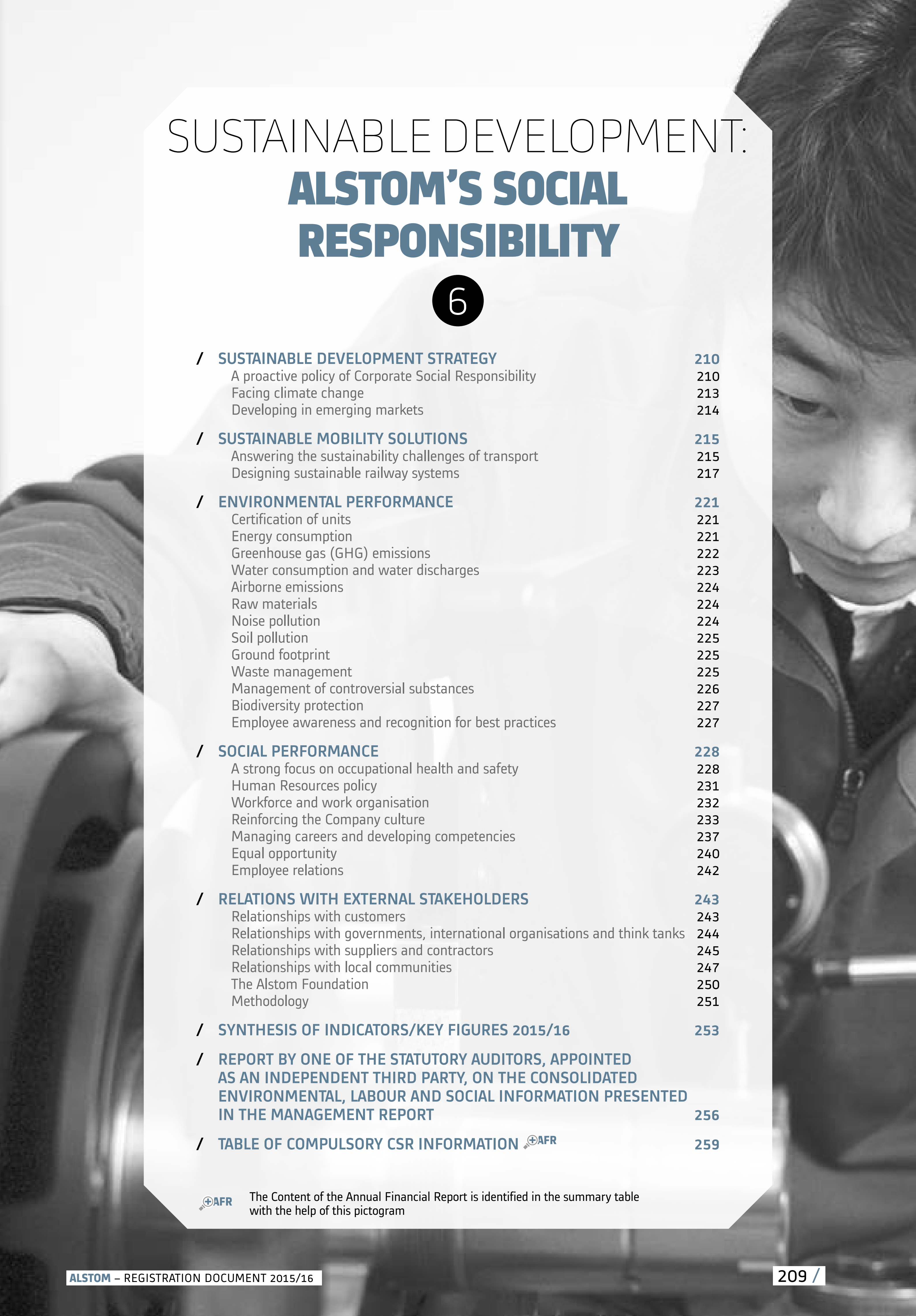
In May 2016, Alstom and its Statutory Auditors formalised, following the Audit Committee's approval, the new Audit Charter applicable until 31 March 2021 when the current Statutory Auditors' engagement comes to an end.

This charter defines the Group's statutory audit process under the various applicable laws and rules. By formalising it, the parties officially commit themselves to respecting the said charter and to aiming for more transparency and efficiency.

The main rules defined apply to the following topics:

- principles on fee and assignment split between both auditing firms;
- work process between the two audit firms and relationship with Alstom, notably with the Internal Audit function;
- relationship between the Statutory Auditors and the Audit Committee;
- defining the allocation principles of assignments accessory to the audit mandate;
- reminder of pre-approval procedure of these assignments and of pre-approved assignments;
- reminder of prohibited assignments.

This charter was updated after it was approved by the Audit Committee.



SUSTAINABLE DEVELOPMENT: ALSTOM'S SOCIAL RESPONSIBILITY

6

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

This section presents Alstom's sustainable development strategy, action plans and achievements as well as environmental, social and societal information as requested by Article 225 of the law No. 2010-788 dated 22 July 2010, so-called "Grenelle II", and as per the Decree No. 2012-557 dated 24 April 2012 related to the obligations for companies on transparency in environmental and social matters.

SUSTAINABLE DEVELOPMENT STRATEGY

A PROACTIVE POLICY OF CORPORATE SOCIAL RESPONSIBILITY

Global challenges can become strategic opportunities

The world is now facing strong, rapidly evolving demographic, environmental and economic dynamics, resulting in growing environmental and social challenges:

- The latest projections from the United Nations estimate that the world's population is expected to grow from 7.1 billion to over 9.5 billion people by 2050 (1). Due to this economic growth the mobility needs will increase. Both passenger travel distance and commuting time per capital are expected to double by 2050 (2).
- Over 60% of the world's population will live in urban areas by 2050 (3). This pressure requires careful planning of urban areas and infrastructure to deal with collective mobility needs in densified areas. At the same time, the social gaps are likely to be accentuated, both in cities subject to unprecedented urban sprawl and in rural areas where poverty is still largely concentrated and where populations are isolated. Strategies to improve standards of living must encompass the improvement of service delivery, including transport systems (4).
- Demographic and economic growth has increased emissions of greenhouse gases and the pressure on natural resources for decades, leading to substantial climate change. The magnitude of these changes and their consequences are still largely unknown today. The agreement concluded at COP21 (5) in Paris (France) in December 2015 by 195 countries confirms the objective of keeping the temperature rise threshold well below 2°C compared to pre-industrial levels. It also aims at building a green fund mechanism to help affected countries in mitigating the consequences of global warming. The pursuit of these objectives should lead to the development of regulatory and normative constraints in many countries and major investments in infrastructure.

Alstom considers that its mission is to contribute to the transition towards more sustainable transport systems by designing and producing innovative rail solutions which are environmentally efficient and attractive throughout their entire life cycle. By integrating sustainability in its strategy and processes, Alstom anticipates environmental and social challenges, manages the risks and opportunities they entail and ensures long-term growth both for the Company whilst contributing to the development of society as a whole.

The interaction between economic development, environment and social needs urge each actor to adopt a holistic approach that enables the Company to:

- identify and assess future and emerging markets and anticipate stakeholders expectations;
- 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 to anticipate needs of the society.

This approach, focused on continuous improvement and risk management, means staying one step ahead to better grasp all the Company's sustainable development issues. This position gives Alstom the means to define and implement an integrated Sustainability & CSR policy.

The first CSR policy of Alstom was published in 2013. It was updated in March 2016 to fully reflect sustainable development issues of the railway business on which the Company has now refocused. This policy, described hereafter, is available on www.alstom.com.

An integrated Sustainable Development and Corporate Social Responsibility (CSR) policy

Alstom's Sustainable Development and CSR policy is at the heart of its 2020 strategy. It is based on four main axes, guided by quantified and assessed objectives and is cascaded in all its operations and wherever Alstom teams are located through a set of action plans.

Alstom strives to:

- **act as a stakeholder-oriented organisation:**
  - assess customers' expectations and adapt its offering accordingly,
  - involve itself in the life of local communities,
  - be recognised as a responsible company;

(1) UN World Population Prospects: The 2015 revision.
(2) UN World Urbanization Prospects, World Business Council for Sustainable Development.
(3) UN World Urbanization Prospects, the 2014 Revision.
(4) An overview of urbanization, internal migration, population distribution and development in the world, United Nations Population Division, 2008, p.5.
(5) Conference of the Parties (COP) organised by the United Nations Framework Convention on Climate Change.

- **develop solutions for sustainable mobility:**
  - promote electrical and shared transport,
  - deploy ecodesign processes,
  - integrate green innovation to lead on energy efficiency in its solutions;
- **manage its operations in a responsible way:**
  - ensure safety excellence with and for its employees and contractors,
  - continuously reduce the environmental footprint of its operations,
  - develop a sustainable supply-chain,
  - respect human rights;
- **build a culture of diversity and integrity:**
  - enforce the highest ethical standards,
  - promote and implement diversity in its various forms,
  - develop Alstom as a great place to work.

The action plans related to this policy are outlined both in the sections related to "Sustainable mobility solutions", "Environmental performance", "Social performance" and "Relations with external stakeholders".

A dedicated organisation at all levels of the Company

The implementation of Alstom's Sustainable Development and CSR policy is defined and monitored by the Sustainability team. This Department is under the responsibility of the Senior Vice President Human Resources on the one hand and of the Strategy Department on the other hand, placing sustainable development at the heart of the organisation. Sustainable Sourcing, Ecodesign, Social, Environment Health and Safety policies are deployed in the corresponding functions of the organisation and are consistent with the global sustainable development approach.

Within the Board of Directors, the Ethics, Compliance and Sustainability (ECS) Committee has been closely following the Company's Sustainability policy and actions since 2010. This Committee meets three to four times a year to review and assess the Company's strategy, policies and procedures on topics related to sustainable development and corporate social responsibility (see Chapter 5 Corporate governance – Chairman's report, Section "Board Committees" p. 173).

The sustainable development three-year action plan is submitted and reviewed twice a year by the Company management. The Sustainability Steering Committee, including members from Human Resources, Sourcing, Marketing, Innovation, Sustainable Development, Environment Health and Safety and Communication Departments, meets on a quarterly basis to oversee and monitor progress on the initiatives, and coordinate deployment of transverse Sustainability & CSR activities.

Alstom's sustainable development approach is implemented through a set of programmes that combine general and specific objectives, whilst leaving room for local initiatives.

Implementation of the CSR policy in Regions is deployed by the local network which is progressively developed. Its role is to locally implement Alstom policies and process, to represent the Company and to develop relations with local institutions, organisations and communities. In all the Company's main countries of operation, the Country Managing Director is assisted by a CSR correspondent in connection with the central team. This local support organisation guarantees a good understanding of local social needs and environmental challenges. The objective is to spread and share the Alstom sustainability vision within the organisation so that everyone knows and understands it, commits to it and actively participates in it.

Evaluation of Sustainable Development policy *versus* stakeholders' expectations

Corporate Social Responsibility actions by the Company are increasingly expected by:

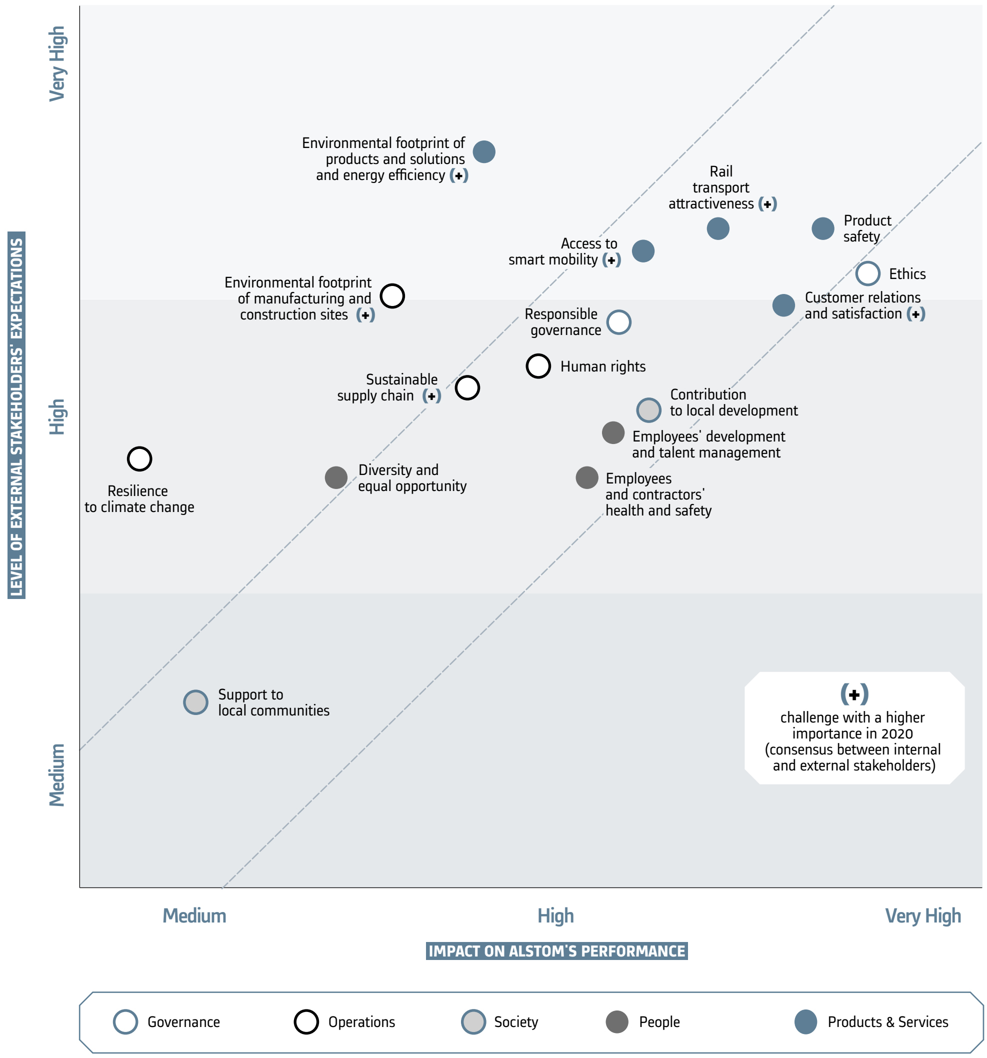
- its customers (increased importance of Sustainability criteria in tenders);
- its employees;
- public authorities (emergence of new Sustainability regulations);
- its shareholders and potential investors.

This year, in order to clarify these expectations and to evaluate the relevance of Alstom's Sustainability and CSR policy, the Company undertook a revision of its materiality assessment which was initially established in 2013. This evaluation aimed in particular at:

- updating the existing materiality matrix for the new scope of Alstom, a pure player in transport, and identifying potentially emerging issues with a three-five years time horizon;
- evaluating the importance of these sustainable development challenges for stakeholders and their impacts on Alstom performance;
- reinforcing transparency and focusing reporting efforts on the most material issues for the business;
- adjusting the Alstom Sustainability and CSR strategy by 2020.

Out of a large number of potential sustainable development challenges, the 16 most relevant ones to Alstom's business were selected, according to the Company's strategy as well as internal risk mapping. They were classified into five areas (Governance, People, Operations, Products & Services and Society).

The evaluation was based on internal and external interviews conducted by a consultant with internal and external stakeholders (including customers, shareholders, industry associations, suppliers, NGOs, partners, representatives of media, public authorities…).



More details on Alstom's CSR materiality matrix – and the related methodology – are available on www.alstom.com.

This analysis is shared with the Sustainability Steering Committee in order to identify strategic plan's adjustment needs.

Evaluation of the Company'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. These evaluations help to identify and analyse areas of improvement.

- Alstom was evaluated in September 2015 by RobecoSAM for the Dow Jones Sustainability Indices (DJSI). The company was selected for the fifth time in a row as an index component of the DJSI – World & Europe –. The rating agency attributed the rating of 76/100 to the sustainability performance, a score well above the average of the global Electrical Equipment sector part of the index. This year, Alstom distinctly improved in the fields of strategy for emerging markets, tax strategy, product stewardship and operational eco-efficiency. More information on www.alstom.com.
- Alstom was awarded "prime" status by the German firm Oekom Research in its 2015 ranking of the leading companies in terms of Corporate Social Responsibility (CSR) in the Electrical Equipment category. Alstom thus retained the status initially obtained in 2012.

  The "prime" status under the methodology of Oekom means that the shares and bonds of the company will meet the sustainable investment requirements of their customers. Among the main assets of Alstom, Oekom highlighted health and safety of employees on the social side and resource-preserving production, eco-efficiency and product liability on the environmental side.
- Following its previous assessment in 2013, Alstom's sustainable development performance was assessed by Ecovadis in January 2016. The company improved its score and achieved the highest possible recognition by obtaining a "Gold" status. Alstom is ranked among the 5% best rated companies of this platform.

Through these local community activities and those of the Alstom Foundation, Alstom seeks to act and to be recognised locally as a responsible company. For instance, in 2015 and for the third year running, the Company received the *Distintivo ESR* – Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI).

FACING CLIMATE CHANGE

Climate change is one of the biggest challenges facing the world this century. Alstom wants to contribute to the mitigation of climate change impact risks from a business perspective and is, therefore, following closely the United Nations Framework Convention on Climate Change (UNFCCC) negotiation process through its membership of organisations such as the Sustainable Low Carbon Transport Partnership (SLoCaT) and the Union of European Railway Industries (UNIFE). Alstom participated in the UNFCCC's 21st Conference of the Parties (COP21) in December 2015 in Paris (France). In particular, the Company has contributed to the visibility of transportation issues and the promotion of sustainable mobility at the COP21 through its support to the Paris Process on Mobility and Climate (PPMC).

By advising governments on sustainable mobility and technology innovation, the Group takes serious steps in supporting a low-carbon future. By offering railway solutions that are ever more efficient, environment-friendly and attractive, Alstom is contributing to the transition to sustainable transport systems.

Risks

For several years, an annual risk assessment review has been performed as part of the annual budgeting and three-year plan process. The objective is to identify, analyse and anticipate the significant risks of the Company. This risk mapping now integrates "Climate change risk".

In order to address the climate change challenge, Alstom implemented in fiscal year 2013/14 an assessment of the potential impact on its manufacturing activities, sites and buildings of extreme weather conditions such as tropical cyclones, extra-tropical cyclones, hail storms, storm surges, flash floods and tsunamis. The evaluation method took into consideration facilities with property damage and business interruption insurance values of over €50 million. It took into account geographical risk indexes and probability ratios provided by insurance companies, in order to identify the most exposed company facilities.

Based on this risk evaluation, Alstom launched improvement actions wherever necessary. For example, the La Rochelle facility in France, which is located near the coast and exposed to storm risk, drew up a plan to trigger specific protection measures when facing exceptional weather conditions.

The risk analysis will be updated in the course of the year to take into account the evolution of the Company's industrial footprint (*e.g.* the integration of sites from the former General Electric Signalling and the construction of new industrial sites) and climate data.

Opportunities

The Paris Agreement is a major step forward in the global fight against climate change. Indeed the COP21 process has allowed a rather ambitious vision to emerge with the objective of keeping global warming well below +2°C and of reaching a balance between emission sources and sinks before end of the century.

The increased visibility of climate change consequences will drive the actions of governments and regulation bodies to limit the magnitude of this climate change by reducing greenhouse gas emissions whilst anticipating the consequences of its future evolution. Notably for the transport sector, the Lima Paris Action Agenda (LPAA) process implemented within the framework of COP21 and the numerous associated events, including the dedicated Transport Day, have given unprecedented visibility to the sector in 2015. From an international standpoint, transport is now clearly recognised overall as a sector which contributes significantly to worldwide emissions whilst offering a great potential to curb them.

For Alstom, rail is clearly positioned today among motorised transport emitting the lowest carbon emissions by transported passenger. For instance, in 2015, the analysis "Sustainable cities and Climate Change – French international projects", completed by Vivapolis [1], estimated that the carbon footprint reduction over 30 years as a result of Line 1 of Panama metro amounted to 64,000 tons annually compared with the reference scenario, thereby representing an 83% reduction. This clearly illustrates the carbon benefit potential from enhanced urban rail transport.

The main opportunities regarding climate change are linked to:

- a reinforced need to decarbonise transport and shift to electrical and shared mobility;
- further integration of transport targets and action roadmaps in the Intended Nationally-Determined Contributions (INDCs) of which a large proportion already identify transport as a key mitigation source to reach the objectives;
- financing sustainable transport projects that generate major energy savings and greenhouse gas emissions reductions but also bring benefits in terms of air quality, reduction of congestion, local growth, safety…;
- adaptation of transport systems: resilience to climate change must be taken into account in the design of new infrastructure whilst existing systems must be assessed and adapted.

Alstom is well prepared to benefit from new opportunities arising from the reinforcement of public policies around climate change.

In 2015, Alstom also announced its objectives to contribute to the global reduction of CO_2 emissions through energy consumption reduction in its transport solutions (see p. 218) and through reductions in the energy intensity of its operations (see p. 221). Alstom is the first rail manufacturer to define a global energy efficiency performance indicator, systematic simulation methods and a reduction target. Its objectives have been lodged as commitments in the United Nations platform for non-state actors (NAZCA). The results delivered in 2015 are in line with these ambitions.

(1) Common brand gathering French public and private actors promoting a shared ambition for urban sustainable development at international level.

Alstom also supports the Low Carbon Rail Transport Challenge presented by the International Railway Association (UIC), gathering 240 members on six continents. Its targets are, amongst others, to:

- reduce final energy consumption from train operations by 50% by 2030 and 60% by 2050, relative to a 1990 baseline;
- reduce average CO_2 emissions from train operations by 50% by 2030 and 75% by 2050, relative to a 1990 baseline;
- achieve a 50% increase of rail's share of passenger transport (passenger/km) by 2030 and a 100% increase by 2050, relative to a 2010 baseline [1].

In 2015, Alstom also completed a carbon footprint assessment of its tramway solutions compared with urban transport alternatives which demonstrated that:

- tramway systems have a carbon footprint which is half that of a diesel bus rapid transit system; [2]
- the optimised tramway system ATTRACTIS™ allows emissions of CO_2 from construction to be reduced by more than 20% compared with a standard tramway system.

Finally, in terms of adaptation, Alstom is able to propose resilient solutions to climate change. For example, in the context of the Sydney tramway project, Alstom has completed for the first time an analysis that demonstrated the strong resistance capacity of its transport system when faced with extreme weather conditions, thereby validating its resilience to climate change.

Furthermore, the Dubai Tramway (United Arab Emirates) constructed by Alstom is the first tram in the world able to run in temperatures of up to 50°C and to withstand the harsh climate conditions which include high humidity and a sandy atmosphere.

DEVELOPING IN EMERGING MARKETS

Driven by population growth and urbanisation, the market in emerging countries is developing at a fast pace. Major cities are rapidly expanding, which creates strong needs for efficient transport solutions.

Alstom's development in emerging markets is a main driver for its growth. As a global player, the Company has a major presence in all leading growth economies. This does not mean only a commercial presence, but also significant R&D, engineering, manufacturing, project execution and service activities. The share of emerging markets in Alstom's headcount, capital expenditure and orders has increased in recent years, and will remain at a high level in the foreseeable future, in order to accompany the increased transportation solutions needs in these markets. Here are a few examples of what Alstom has achieved.

In recent years, the Company has accelerated the development of its international footprint, notably in emerging countries. It continued to develop its engineering centre in Bangalore (India) and its production site in Chennai (India), created a hub in Istanbul (Turkey) in 2014 and opened a new production line for the CITADIS™ tramway in Taubate (Brazil) in 2015.

Alstom has developed strategic partnerships with key actors, examples of which are:

- Russia: the local company Transmashholding (TMH);
- South Africa: several local companies within the joint-venture Gibela;
- Algeria: creation in 2011 of a joint-venture, Cital, for maintenance and assembly of trams;
- China: participation in the joint-ventures CASCO (signalling), SATCO (metro & tramway), SATEE (traction), XAYEECO (engines) and AQREC (shock absorbers);
- Kazakhstan: majority participation in the EKZ joint-venture for the production of locomotives.

In addition, Alstom plans to develop the presence of its commercial and industrial sites while adapting them to the needs of each region.

Alstom's organisation is designed to ensure close proximity to its customers: Alstom is divided into Regions which cover the full value chain, spanning bid preparation, project execution and after sales for trains and infrastructure. This new organisation brings significant empowerment of the Regions. As part of its Strategy 2020, Alstom is seeking to strengthen its cultural diversity and promote the mobility of its international talents, especially in respect of emerging countries. This is reflected, in particular, in the Company's ambition to have the nationality of middle management and the talent pool reflecting Alstom's business.

By reinforcing its local footprint, Alstom will benefit from the growth potential in these local markets and the associated increase in pricing competitiveness. The establishment of new engineering centres and production sites outside Europe will enable the Company to significantly reduce its engineering and production costs whilst maintaining its level of excellence.

Furthermore, Alstom is pursuing the localisation of its sources of supply in order to improve the competitiveness of its solutions by reducing delivery times, by benefiting from the optimised cost base and by limiting its exposure to currency fluctuations.

(1) UIC.
(2) Assessment carried out for a reference case in Belgium considering emissions from construction and operations.

SUSTAINABLE **MOBILITY SOLUTIONS**

ANSWERING THE SUSTAINABILITY CHALLENGES OF TRANSPORT

Worldwide demand for mobility is growing steadily in connection with demographic changes, urbanisation and economic development. Everywhere public authorities are concerned about the environmental impacts of transport: traffic jams, air pollution, noise, climate change and depletion of energy resources.

Alstom is convinced that only electrical, shared, fluid, connected mobility can allow mobility needs to be met in a sustainable way. Indeed the benefits of rail transport in terms of air pollution, use of space, safety, energy efficiency and CO_2 emissions make it a true sustainable alternative to road transport and a key player in the development of global sustainable transport systems.

Alstom designs and delivers comprehensive, efficient and sustainable railway systems and strives to reinforce their attractiveness while reducing their lifecycle cost.

Favouring access to mobility for all and contributing to urban development

Access to transport is a key competiveness factor for economic actors and a key challenge for unprivileged populations.

In France it is estimated that about 20% of the working population has difficulty accessing transport (1), while in emerging countries this percentage can amount to as much as 80% (2). Public transport infrastructure provides people with no access to individual mobility modes with the means to access job opportunities, medical support and education and cultural services.

Urban congestion costs annually about 1% of GDP in Europe (3) and even more in cities in emerging countries as a result of the loss of useful time and reduced productivity of the travellers. In cities well equipped with public transport and favouring soft modes, transport costs for the community can be cut by half. (4)

Alstom is developing urban transport projects that actively participate in cities' sustainable development, offering access to transport to all inhabitants, promoting social inclusion and maximising transport capacity while limiting the footprint:

- Tramway projects can provide a transport capacity which is two or three times higher than that of a bus line using the same surface area and favour social inclusion by creating a physical link between different neighbourhoods of a city. They often also give the opportunity to enhance the urban landscape through the renovation of roads and a more balanced use of public space promoting soft mobility for increased attractiveness of the territory.

  For instance in Casablanca, Morocco, the tramway project delivered by Alstom in 2013 led to the renovation of 32 km of sidewalks, the creation of 10 hectares of pedestrian areas and the plantation of 4,000 trees resulting in a global upgrade of served areas. The line, which is the longest one worldwide built in a single stretch, allows less developed parts of the city to be connected with the city center. Inhabitants of the city largely benefit from the project as demonstrated by a 30% increase in ridership between 2013 and 2015.
- With a capacity of transport of up to 100,000 passengers per hour per direction, metro systems offer a transport capacity that no other means can reach. They even retain the potential for significant enhancement in order to accommodate the future developments of growing cities. For example, Panama Line 1 delivered by Alstom in 2014 demonstrates a significant increase of ridership with more than 200,000 passengers per day which has led the authorities to announce, in December 2015, an extension of the project to increase the trainset configuration from three cars to five while adding six new trainsets to the network.
- For the long daily journeys within expanding suburban areas, Alstom's suburban trains and tram-trains in service on urban networks and main lines offer comfortable and reliable high-capacity public transport solutions. Regional trains provide efficient daily commuting services between new urban areas and connect territories thereby contributing to their economic growth.

Reducing environmental impacts from transport

The transport sector today represents 28% of final energy consumption worldwide and 23% of CO_2 emissions from fuel combustion (5). Between 1990 and 2011, energy consumption and CO_2 emissions from transport have increased by more than 50% following, in particular, the development of road transport (5). In order to reach the ambition stated in the Paris Agreement to keep climate change below +2°C (6), it is crucial to favour transport modes that have the lowest carbon footprint.

Rail transport is already one of the most energy efficient transport modes. Worldwide, rail consumes only 2% of transport final energy whilst carrying 8% of global passengers and freight (5). This good performance reflects the intrinsic efficiency of rail transport. Further development of clean and renewable energy sources will bring further environmental efficiency to the rail sector.

(1) *Secours catholique* (Caritas France) – *La Fracture Mobilité* 2014.
(2) International Transport Forum 2011 – Transport to Society.
(3) European Commission web – urban mobility section 2015.
(4) UITP.
(5) UIC – IEA Railway handbook on energy consumption & CO_2 emissions 2015.
(6) Target set by the UNFCCC for the century.

Regarding CO_2 production, emissions per passenger moved by rail are on average substantially lower than those of any other transport mode.

CO_2 EMISSIONS PER PASSENGER PER KILOMETER

	Cities	Cities	Roads	
170g	**160g**	**100g**	**90g**	**35g** *Average (EU27)*

Sources: For rail EU27: UIC- IEA Railway handbook 2015 / for other modes – French Ministry of Environment, SNCF, RATP, and UK DEFRA.

In this context, Alstom requested the consulting firm Carbone 4 to complete a carbon footprint assessment of tramway systems *versus* alternative urban transport solutions. This demonstrated that, when taking into account construction and operations over 30 years, tramway systems emit half as much as diesel bus rapid transit systems and about 30% less than bus rapid transit operated with hybrid buses [(1)].

Finally, air emissions from road transport – especially fine particles resulting from diesel combustion and wheel usage as well as NOx and SOx – contribute significantly to the poor air quality in big cities. Direct emissions from operations of urban trains are very significantly lower than these generated by buses. The Carbone 4 – Alstom survey demonstrated that the avoided fine particles emissions of a tramway line *versus* bus operation can amount to 300 kg per year and per line.

In this context, Alstom proposes attractive, high capacity solutions which encourage the transition to more sustainable transport modes and promote electrical and shared mobility.

Promoting electrical and shared mobility

Today 80% of passenger traffic on European railways is already powered by electricity. Nevertheless, Alstom is continuing to adapt its offering to propose alternatives to diesel trains on non-electrified lines.

Alstom is developing a new generation of emission-free regional trains equipped with fuel cell drives. Since 2014, Alstom has signed Letters of Intent for this project with the German *Länder* of Lower Saxony, North Rhine-Westphalia, Baden-Württemberg, and the Public Transportation Authorities of Hessen. The new trains will be based on the CORADIA™ regional train. They will be completely emission-free and their noise level will be drastically reduced, compared with the diesel version. Furthermore, the new trains will consume less energy, through energy storage as well as an intelligent energy and power management system. The new traction chains powered by fuel cells are currently being bench-tested. Two prototype trains will be tested in operational conditions in 2018.

Alstom has also designed the PRIMA 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. The five first hybrid locomotives were delivered in 2015 to Volkswagen and are now in service.

For urban systems, Alstom has also developed SRS™, a new catenary-free solution. The SRS™ solution allows fast charging of a large portfolio of vehicles equipped with onboard energy storage during normal dwell time through a compact and discreet device located in the ground. It can be adapted to tramways equipped with on-board energy storage as well as a large range of electrical buses. In this latter case, power supply is provided through ground-based charging slots at stations or at the terminus. The SRS™ technology is already proven, safe and reliable because it is derived from APS™, the ground power supply solution developed by Alstom.

Optimising transport systems

The cost and construction duration of infrastructure are key challenges for the development of rail transport. Alstom develops solutions that allow the construction and use of infrastructure to be optimised.

Optimising existing infrastructure usage to adjust transport capacity

For automatic control of metro operations, the signalling system URBALIS™ Fluence developed by Alstom ensures maximum operational availability. Thanks to new ground equipment architecture, failures are rarer, potential affected areas are reduced and operation in degraded mode is facilitated. Increasing on-board intelligence allows the interval between trains to be reduced down to 60 seconds which allows the transport capacity to be increased without touching the railway infrastructure.

Besides, thanks to the homologation programme for the Regiolis trains which are part of the CORADIA™ range, SNCF and French Regions can now operate their regional fleets in multiple units of three and four trainsets, enabling greater flexibility in line with peak travel times. Since January 2016, SNCF and the Region of Picardy offer a daily return service between Laon and Paris (France) for 1,000 passengers, thanks to the use of Alstom's Regiolis trains, CORADIA™ Polyvalent platform designed for French regions, in multiple units of three.

The PENDOLINO™ is another versatile train that allows higher speeds in all the configurations that can be found between the regional railways and the very high-speed systems. When passenger traffic or other reasons do not justify the construction of a very high-speed line, this train offers the best way to cut travel times while optimising use of existing infrastructure.

(1) Reference case in Belgium.

Finally EURODUPLEX™ is the only double-decker very high-speed train in the world. It can carry between 20 and 40% more passengers than single deck in high comfort.

All these examples demonstrate Alstom ability to support its customers in making the best use of their transport infrastructure.

Optimising systems to facilitate new infrastructure projects

In order to facilitate integration of projects in urban areas, Alstom is also committed to the development of optimised and efficient turnkey solutions:

- ATTRACTIS™, Alstom's new tramway system, can be delivered in a record time of 30 months (for a 12 km line) thanks to optimised project management and new construction methods. The turnkey system includes the CITADIS™ tramway, roadway works, infrastructure (tracks, electrical supply, stations and information systems), monitoring systems, ticketing and maintenance depot. This solution allows investments to be cut by up to 20%, nuisances associated with building a project in the very heart of a city to be reduced and the carbon footprint of construction to be lowered by more than 20% (through a reduction in material quantities) compared with standard systems.
- AXONIS™ Alstom's light metro system which is economical, quick to build and fits smoothly into the cityscape, is particularly designed for cities with high population density and rapid expansion. This unique fully integrated metro solution combines Alstom's most efficient standardised and optimised metro sub-systems together: the METROPOLIS™ range of rolling stock, URBALIS™ signalling, HESOP™ energy recovery system as well as infrastructure built on viaduct sections made from precast modules for swift construction and sections at street level or possibly in tunnels.

Additionally, the APPITRACK™ automated track laying technology makes it possible to install tracks four times faster than with traditional methods, and ensures efficient installation while reducing works-related disturbances.

Developing smart and multi modal systems

Alstom is convinced that rail infrastructure must create the backbone of transport systems with interconnected information systems. For instance, Alstom's optimised tramway system ATTRACTIS™, is already compatible with ITxPT (Information technology for Public Transport), an initiative to define an open IT architecture for Public Transport. It allows interoperability between transport information systems, harmonises multimodal integration of urban transport systems and offers passengers innovative mobility services.

Alstom also launched a full digitalisation programme that aims to enhance the great potential of digital technologies to develop connected trains and propose new services with high added value.

In this frame, Alstom organised in March 2016 a hackathon based on the connected metro, in collaboration with École 42, a French computer programming school in Paris. Having access to public data for transport systems and Paris city as well as data extracted from existing metro trains, teams had 48 hours to come up with a design for how the metro will look like in 2030. The ambition was to identify how digital applications can be applied to an urban transport system in existence for over a century in order to offer connected mobility thereby revolutionising the passenger experience through prototype mobile applications, services and the IoT (Internet of things).

DESIGNING SUSTAINABLE RAILWAY SYSTEMS

For its products and services, Alstom consistently promotes a lifecycle approach in order to maximise environmental and economic benefits over time.

Ecodesign for products and services

The priorities set in Alstom's ecodesign policy focus on:

- energy efficiency of rail transport systems;
- reduction of noise and vibrations;
- use of clean, recyclable, and natural materials;
- reduction of air emissions;
- end-of-life management of products, particularly in maintenance activities.

This policy is deployed in design processes which ensure compliance throughout project execution, supported by a network of more than 100 experts (eco-designers, acoustics experts, materials experts, energy engineers, etc.).

2014 saw the first implementation of environmental performance dashboards to record baseline performance of reference solutions and track progress *versus* targets. These dashboards are progressively deployed for urban trains and main lines and will be extended in the future to infrastructure and systems solutions.

Lifecycle assessments are conducted to identify significant environmental aspects, identify improvement areas and help with technical choices in many projects, such as new metros or tram-trains and the Regiolis version of the CORADIA™ Polyvalent platform designed for French regions. Environmental Product Declarations provide stakeholders with an in-depth picture of environmental impacts throughout the lifecycle. In 2015, Alstom has published three declarations demonstrating the performance of CORADIA™ Polyvalent (regional train), Montreal Metro and CPP4 URBALIS 500 (electrical equipment from a metro signalling solution).

In 2015, extensive efforts were pursued to rationalise and optimise practices in terms of lifecycle assessments across the platforms, which will help deploy lifecycle assessments in a more efficient and systematic way in the future. A common method of environmental analysis based on the results of life-cycle assessments for products developed since 2014 is being deployed progressively. It has already been fully implemented in Villeurbanne, Le Creusot, and Reichshoffen.

As for signalling equipment, the IMPN safety box, which allows safe stopping of traction in the case of anomalies (such as a wrong direction), is the first to have benefited from a full eco-design process. Its environmental performance has been improved globally by 30% and it uses 56% less natural resources over the lifecycle. It is also 30% lighter than previous generations. The environmental performance of this equipment was published in accordance with ISO 14025.

Improving energy efficiency

Aware that energy efficiency is a major challenge for the transport sector, 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.

Furthermore, Alstom is the first train manufacturer to have announced a commitment to reduce the energy consumption of its transport solutions by 20% by 2020 (compared with baseline 2014) measured in Wh/passenger.km.

Alstom has also defined its energy action plan, along three pillars:

- systematic monitoring of solutions performance;
- innovation for energy efficiency;
- collaboration with the other actors of the value chain.

Monitoring of solutions performance

Alstom has defined a key performance indicator to monitor its solutions' energy efficiency. The indicator consolidates the global portfolio energy consumption reduction based on a weighted average of the energy consumption reductions from standardised train products, so-called "reference solutions", as well as from projects representing more than €1 billion in sales.

In 2015, the Company has established standardised methodologies for energy simulations based on sets of assumptions defined for each type of train (mission profile, occupancy, temperature, etc.) in order to ensure the consistency of collected data. Over the fiscal year, simulations of energy consumption for metro, regional trains and mainlines solutions of the product portfolio have been launched. The first results of the consolidated indicator will be published at the end of fiscal year 2016/17.

Innovation for energy efficiency

Innovation is a crucial driver to improve the energy efficiency of solutions. Alstom strives to deploy the best available proven technologies across the entire portfolio where they are relevant, including:

- weight reduction through composite materials and re-design of parts;
- reduced aerodynamic drag;
- more efficient traction systems, either electric or diesel (permanent magnet motors, optimised power packs control system, new traction chains, efficient traction auxiliaries);
- energy-efficient comfort auxiliaries (lighting, heating and air conditioning);
- enhanced electrical braking including electrical braking until standstill;
- efficient energy storage solutions;
- optimised sleep modes.

For example, the latest-generation of rubber-tyred metros that will equip the Paris network – MP14 – was designed to reduce energy consumption by up to 20%. It is equipped with a more efficient motor and with LED lighting. Its 100% electric braking system recovers energy and re-injects it into the network in the form of electricity, thus avoiding the emission of fine particles from brake pads and contributing to the reduction of air pollution and the metro's energy consumption.

The new PRIMA H4™ locomotives recently acquired by the infrastructure company SBB are equipped with two powerpacks that are coupled with a start & stop system which allows energy consumption to be reduced by 20%.

The advanced reversible power-supply substation developed by Alstom for urban and suburban rail networks allows significant savings on operation to be achieved. Indeed, it enables almost all electrical energy recoverable from trains equipped with regenerative braking systems to be fed back into the grid. HESOP™ also allows heat release from underground operations and associated needs for ventilation systems to be reduced. To date, more than 100 HESOP™ converters have been delivered or ordered, such as for the Paris T1 Tramway (France), London Underground (UK)- in commercial service at the Cloudesley Road station, Milan-Desio-Seregno Tramway (Italy), Riyadh Metro (Saudi Arabia), Sydney Tramway (Australia) and Panama metro.

Alstom is also developing completely new types of trains with breakthrough energy efficiency performance: examples include a zero emissions train to replace diesel-driven regional trains for the German market and the new generation of very high speed trains.

In addition, Alstom strives to develop new components based on innovative technologies that will allow the improvement of the overall performance of trains and systems in the future: examples include highly efficient cooling systems, silicium carbide converters, on-board energy storage etc.

Finally, to reduce the energy consumption of existing systems, Alstom is developing a complete range of services which includes energy mapping and solution optimisation. They allow the monitoring of the main usages of energy in order to identify gaps and propose enhancements such as implementation of eco-driving tools. Retrofit services target the main energy-consuming components like traction, heating and ventilation systems and the recovery of energy from braking.

Alstom is currently delivering a contract awarded by STC (Sistema de Transporte Colectivo) which operates the metro of Mexico City to renovate 85 subway trains. A previous similar modernisation services contract in Mexico (MP82) demonstrated up to 35% reduction in energy consumption.

Collaboration with the value chain

In the field of energy efficiency, improvement often means combining knowledge of train design with operational data. Collaboration with customers, operators and suppliers on this topic is essential.

Many such initiatives have been deployed in France, Brazil or in Ireland. They cover energy measurement, on-board storage tests, heat pump tests, new energy management systems, auxiliaries control devices, etc. For instance, through a joint research programme with the Railway Procurement Agency, the Irish authority responsible for the development of railway infrastructure, two trams in Dublin have been equipped with smart meters to analyse the main energy usages. Optimisation solutions have been tested such as light energy storage for the recovery of braking energy and an enhanced HVAC control system.

Integration of supplier's innovation is also a key challenge. Collaboration with the company Calyos, for example, was essential to adapt to rail the highly efficient cooling technology developed for the aerospace industry.

In order to address the energy efficiency of global railway systems, Alstom has also worked in 2015 in partnership with major organisations to introduce "smart grid" elements in railway systems through such projects as:

- IN2RAIL, which targets smart metering of rail systems;
- Osiris, to develop energy hub solutions for urban transport (with RATP);
- Merlin, to develop energy efficient traffic management and a new generation of substations for high-speed lines (with SNCF).

Noise reduction

Noise is a key concern, crucial to the acceptance of railway projects and fundamental for passenger comfort. Simulation tools and technologies have been developed by Alstom to define optimised solutions by exploiting the most recent innovations, such as:

- customised silencers to reduce traction motor noise;
- optimised traction control strategies to improve the tonality of traction motors;
- optimised wheel design to improve noise radiation whilst respecting mechanical constraints (implemented on PENDOLINO™ in the frame of the contract with the Polish operator PKP);
- development of test benches for transformers to obtain noise performance in real operating conditions;
- psychoacoustic studies for the high speed passenger seats;
- development of passenger Information systems integrated into interiors to improve the intelligibility of spoken messages;
- reduction of acoustic absorption material in ducts through the development of specific silencers for air-conditioning systems (*e.g.* Riyadh Metro).

These tools allow considering the sound quality as a full design criterion.

In terms of infrastructure, noise is also a challenge. Alstom has co-developed high-attenuation sleepers which represent an alternative to floating slab track (FST) allowing the same noise reduction effect at lower cost. This co-development was realised with Sateba, a world leader in the manufacturing of sleepers, and its design has been proven in France and UK. It is currently being deployed on Crossrail C610 to replace the original FST design (4,500 units). Its implementation is also forecasted on Riyadh metro (5,000 units).

Use of clean and recyclable materials

Alstom is proactive in its design choices favouring recyclable materials. A consequence of the latest eco-design developments is that, on average, trains are now 92% recyclable and 97% recoverable (including energy recovery). The latest Montreal metro to which Alstom contributed is recyclable up to 96%, the CORADIA™ Polyvalent in its version for French Regions, Regiolis, is recoverable up to 98.5%.

Actions are taken to reduce the quantity of consumables needed in the maintenance process and to extend the lifetime of parts. For example, on new bogies proposed for the CITADIS™ X05, the wheel lifetime has been extended by up to 30% *versus* the previous generation.

The design process also makes it possible to reduce risks and prepare for the end of the product lifecycle by:

- favouring water-soluble paints and biodegradable oils for most trains;
- favouring riveting and bolting when assembling parts to facilitate recycling;
- providing customers with safety information and decommissioning instructions for materials;
- tracking and substituting hazardous substances falling under the European Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH [(1)]).

Over the past five years, the approach towards substances, managed in collaboration with the whole supply chain, has allowed the detection and resolution of many cases of the use of substances listed in Annex XIV or candidates under REACH regulation. For more detailed information, please refer to the section "Environmental Performance/Management of controversial substances".

(1) European Regulation No. 1907/2006 of the European Parliament and Council, dated 18 December 2006, for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

Integration in urban environment

When transport projects touch the very heart of a city with rich architecture heritage, esthetic concerns lead to catenary-less solutions being favoured.

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; as well as on-board batteries or super-capacitors for autonomous operation over short distances. For example, in Rio de Janeiro (Brazil) for the VLT Carioca project, a combined solution integrating APS™ and on-board super-capacitors is being installed. It will allow covering areas without energy supply and storing energy regenerated during braking. The line will partially enter service shortly, in time for the Olympics Games.

In France, the future tramway lines circulating on the new East-West & 3 lines of the Nice Côte d'Azur tramway will also operate without overhead contact lines over the entire surface section of the route (except in tunnels). It was a request by the Nice Côte d'Azur Métropole which reflects its desire to integrate the new tramway line into the urban landscape while preserving the city's architecture. For this, Alstom will supply its latest ground-based static charging technology, SRS™ – a global premiere, coupled with an on-board energy storage device. This will allow the tram to charge safely and automatically in under 20 seconds while stopped at the station. Equipped with this technology, the future trams of the East-West tramway line will be able to charge up at each station as passengers get on and off, without extra stopping time and without driver intervention.

Product safety fully integrated in design

Product safety is a real concern for the railway industry and a major driver for Alstom's business. The performance of Alstom products in this field is well recognised.

The Alstom Quality and Safety policy was last updated in September 2015. For the implementation of this policy, a railway safety procedure is in place which defines three needs, as follows:

- ensure that safety is implemented & demonstrated in the systems/ products delivered to customers;
- maintain safety during the operation and maintenance phase with adequate safety management of maintenance activities when performed by Alstom;
- report & manage any potential safety issues occurring in revenue service. This is done in collaboration with involved customers and suppliers.

Railway safety processes defined at Alstom level are complemented by railway safety deployment instructions for signalling activities, train platforms, services, infrastructure platforms and systems.

In addition, the Alstom Management and Quality Manuals define clear responsibilities in terms of product liability and safety authorisation. These processes and governance apply to all Alstom's Regions and sites.

In order to progress some continuous improvement actions have been put in place:

- the improvement of product safety through the use of return of experience;
- a collaborative way of working with certain days dedicated to railway safety involving Alstom experts and customers or external bodies;
- the reinforcing of the railway safety culture within Alstom, with a campaign of training at different levels, targeting all employees through different sessions.

Offering a new travel experience

Facing a changing world where the need to travel is taking a major part in citizens' life, Alstom has integrated internal skills on passenger experience with the desire to design relevant mobility solutions for a rewarding travel experience. By focusing on its customers, by understanding the behaviour and expectations of their passengers, the Company is able to build a full range of tailored products and services, with the most suitable level of comfort, safety and pleasure.

Tackling the major need to enhance capacity due to population growth, the Alstom teams have focused on optimising the accessibility of the vehicles. Our latest generation of rubber-tyred metro, the MP14 designed to operate in Paris (France), for RATP, includes widened access doors to maximise the inflows and outflows. The intuitiveness of use is enhanced through intelligent lighting combined with auditory and visual announcements and new seats incorporating multiple forms and structures.

Many innovations enhance the perception of well-being on board. For example, on CITADIS™ X05, the large balcony style windows offer a panoramic view on the outside and the fluidity is improved by the double-doors disposed along the train. On the version for Nice Côte d'Azur, special attention is given to each detail; design elegantly links the seats by creating a wide grip surface. Future first class EURODUPLEX™ trains will also have new ergonomic seats that are more comfortable, rotating in the direction of travel and are equipped with individual electric and USB ports.

Alstom is globally working on improving train capacity and flexibility to integrate future developments, whilst ensuring an enhanced level of comfort in terms of:

- acoustic comfort: such as through acoustic partitions transmitting sound;
- visual comfort: *e.g.* with new technologies recreating natural light;
- thermal comfort: *e.g.* through individual control of temperature and ventilation.

Alstom is also striving to assess comfort levels in a quantified way using measurement tools.

To maintain level of perceived quality throughout operational service, components are designed with shapes and surface coatings that are easy to wash for maximum guaranteed cleanliness and which use resistant materials to prevent wear, tear and vandalism.

To complete these innovations, Alstom has initiated a research programme aimed at defining and testing the future of connected mobility and its impact on the overall passenger experience.

ENVIRONMENTAL PERFORMANCE

This report presents the results of the Company on the environmental footprint of its facilities as described in the section "Methodology" (see p. 251).

Management of environment is based on:

- consideration given to environmental issues at all levels of the Company;
- deployment of environmental objectives in the organisation and periodical results reviews at the same frequency and in the same internal governance committees as for financial results reviews;
- implementation of an environmental programme: development and deployment of internal standards, assessment tools, targeted training actions to involve employees, communication and raising awareness actions;
- an EHS ("Environment, Health & Safety") organisation made of a network of about 200 professionals led both in the Regions and centrally.

The Company made operational and environmental excellence one of its five strategic pillars. In this context and further to the Energy activities transfer to General Electric, the Company set new environmental targets for 2020, taking 2014 as the reference year. On this occasion, the Company rationalised the consolidation perimeter of its environmental results as described in the methodology. In consequence, some figures published for 2014 have been reviewed in this report.

The main environmental indicators that allow the monitoring of Alstom's progress are:

- energy consumption and greenhouse gas emissions (GHG) related to activity (intensities);
- percentage of recovered waste;
- volume of waste related to activity (intensity);
- water consumption;
- Volatile Organic Compounds (VOC) emissions.

In 2015, the Company reached the yearly targets, except for waste intensity, a new indicator largely impacted this year by the waste production of one site in relation to non-routine activity.

In this section, environmental results are presented by calendar year and compared to the reference year 2014 and certification results are presented by fiscal year.

Data on provisions and guarantees for environmental risk is available in Chapter 4 Risk Factors, section "Risks in relation to Environmental Health and Safety regulations" (see p. 144).

CERTIFICATION OF UNITS

Objective 2020: Global Alstom ISO 14001 certification.

Objective 2017: ISO 14001 certification of all manufacturing sites and Regional Centers with over 200 employees.

Results: At the end of fiscal year 2015/16, 100% of the manufacturing sites with over 200 employees and 60% of the Regional Centers with over 200 employees have been certified ISO 14001, which result is in line with the intermediate 2017 objective. Moreover, Italy and Spain reached global certification ISO 14001. Some units have also launched the certification programme on a voluntary basis.

The requirements of ISO 14001 standard are integrated in the Alstom Management System and contribute to the environment performance improvement process of sites.

ENERGY CONSUMPTION

Objective 2020: Reduce energy intensity by 10% compared with the reference year 2014.

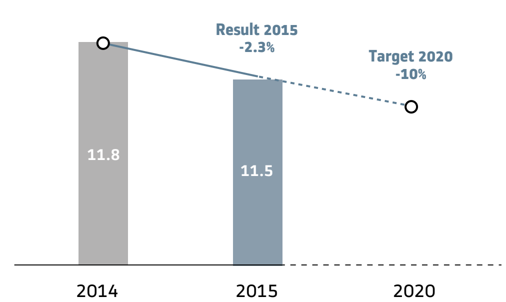
Objective 2015: Reduce energy intensity by 2% compared with 2014.

Energy intensity is defined as the amount of energy used in relation to Alstom's activity. The activity is measured in hours worked.

The amount of energy used is recalculated by integrating a climate factor. In this way, the part of energy considered as used for heating is corrected to take into account winter temperatures impact on heating energy consumption. This correction is done every month with the factor "heating degree days" which, for a given location, estimates daily gaps between base temperature and average measured temperature.

Result: At the end of 2015, energy intensity decreased by 2.3% compared to the base year. The annual objective is achieved.

ENERGY INTENSITY *(in kWh/hours worked)*



DETAILS OF ENERGY CONSUMPTION

(in GWh – raw values)	2014	2015
Natural gas	242 (*)	245
Butane or propane and other gases	7	7
Domestic fuel	10	10
Steam/heat	30	35
Electricity	180	175
Coal, heavy fuels and other fuels	0	0
TOTAL ENERGY CONSUMPTION	**469**	**472**

Source: Alstom Teranga.
(*) Reference year consumption modified to integrate data corrections on Belfort site on which a new reference was established further to the separation of the Transport and Energy activities.

The Company's total energy consumption was almost stable between 2014 and 2015. This is due to the compensation of the slight natural gas consumption increase (+1.4%) by the decrease of electricity usage (-2.6%). Globally energy intensity decreased by 2.3% due to correction with the climate factor and to the actions implemented *via* the five year energy plan that Alstom is deploying.

GREENHOUSE GAS (GHG) EMISSIONS

GHG emissions related to operations

Objective 2020: Reduce GHG attributable to energy usage emissions intensity by 10% compared to 2014.

Objective 2015: Reduce GHG attributable to energy usage emissions intensity by 2% compared to 2014.

GHG emission intensity is defined as the amount of GHG attributable to energy usage produced, expressed in kilograms of CO_2 equivalent, in relation to Alstom activity. The activity is measured in hours worked.

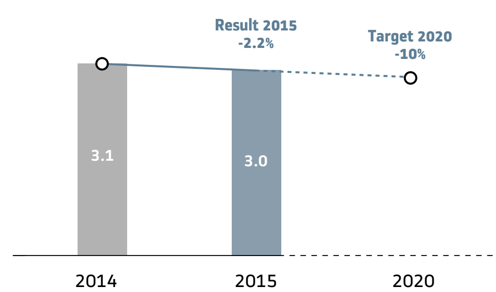
The objective of reduction of GHG emissions intensity is directly linked to the objective of energy intensity reduction. The quantity of GHG attributable to energy usage takes into account the climate factor as presented in the section "Energy consumption".

The Company measures separately the GHG attributable to energy usage – the main ones – and the fugitive emissions of hydrofluorocarbons (HFC). As such, only GHG emissions from energy consumption are considered in the intensity indicator.

Result: At the end of 2015, the GHG emissions intensity attributable to energy consumption decreased by 2.2% compared to the reference year 2014.

GREENHOUSE GAS EMISSIONS INTENSITY

(in kg CO_2 equivalent/hours worked)



GHG emissions details

(in kilotons CO_2 eq – raw values)	2014 (*)	2015
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption (1)	53	54
Indirect CO_2 emissions from steam, heat and electricity consumption (2)	70	69
Total CO_2 emissions from energy consumption	**123**	**123**
Other direct CO_2 fugitive emissions from HFC	1	1
TOTAL CO_2 EMISSIONS FROM ENERGY CONSUMPTION AND OTHER DIRECT EMISSIONS	**124**	**124**

Source: Alstom Teranga.
(1) Source: for natural gas, butane, propane, the CO_2 emissions factors come from IPCC Guidelines for National Greenhouse Gas Inventories (2006).
(2) Source: for electricity the CO_2 emissions factors come from 2015 The Climate Registry Default Emission Factors – April 2015.
(*) The emissions have been adjusted by using, for all our sites, the factors provided by the sources mentioned above.

Alstom's direct and indirect CO_2 emissions from energy consumption have been stable since 2014. Intensity follows of GHG emissions follows the same trend as energy intensity.

The actions to reduce energy consumption, implemented through the energy plan deployed by Alstom over the next five years, will allow the GHG emissions to be reduced.

CO_2 emissions related to business travels

(in kilotons CO2 eq)	2014	2015
CO_2 emissions from air travels [(1)]	20 [(2)]	24
CO_2 emissions from train travels [(1)]	1	1
CO_2 emissions from Company cars using gasoline	1	1
CO_2 emissions from Company cars using diesel oil	5	5

Source: Alstom Teranga.
(1) Source: Carlson Wagonlit Travel (CWT) – CO_2 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.
(2) 2014 figures were adjusted to integrate the travels to South Africa related to "Gibela" project, which were not allocated specifically to Transport in the previous report.

In 2015, even though Alstom maintained strict control on air travel, encouraging the use of trains and virtual meetings as much as possible, the number of business trips increased in relation to the activity. This has contributed to the increase in CO_2 emissions related to air travel by 23%. Emissions from the other travel modes remained stable.

Use of renewable energies

The Company has signed contracts for the usage of electricity from renewable sources where economically feasible: Alstom is fully supplied with green electricity in the UK as well as in Belgium. In France, all the sites except Petit-Quevilly, derived as at 31 December 2015 at least 30% of their electricity from renewable energy sources. In Germany all the sites are supplied with more than 30% of green energy.

WATER CONSUMPTION AND WATER DISCHARGES

Water consumption

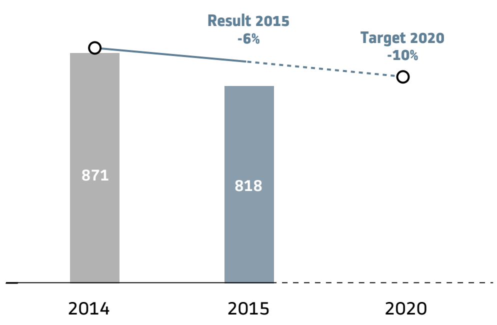
Objective 2020: Reduce water consumption by 10% compared with the reference year 2014.

Objective 2015: Reduce water consumption by 2% compared with 2014.

This indicator is monitored because of the sensitivity of this resource, specifically in water-stressed areas but more generally in emerging countries where Alstom is developing its business.

Results: In 2015, the water consumption decreased by 6%.

WATER CONSUMPTION *(in thousands of m^3)*



Sites located in water-stressed areas

Special attention is given to sites located in extremely high and high water-stressed areas [(1)]. This category represents 22 permanent sites. Their consumption decreased by 5% in 2015, over the global target of 2%.

(1) Mapping as per the WRI Aqueduct™ project reference map.

Details of water consumption

(in thousands of m³)	2014 (*)	2015
Public network	633	590
Ground water	238	228
Surface water	0	0
TOTAL WATER CONSUMPTION	**871**	**818**

Source: Alstom Teranga.
(*) Evolution compared with the published figures last year further to the review of the consolidation perimeter as described in the methodology.

The Company reduced its water consumption thanks to better management of network leakages.

Waterborne discharges

In 2015, 73% of sites have obligations to monitor the quantity and the quality of waterborne discharges. The various obligations in terms of nature and limits of the discharges do not allow the consolidation of those figures at Alstom level. Nevertheless, Alstom ensures, through a new indicator measuring the regulatory compliance of the waterborne discharges created in 2015, that regulatory monitoring is done and the authorised thresholds respected.

AIRBORNE EMISSIONS

Non-methane Volatile Organic Compounds (VOC) emissions

Objective 2020: Reduce non-methane VOC emissions intensity.

Objective 2016: Establish a measurement of the non-methane VOC emissions intensity.

VOC are the main air pollutants emitted by Alstom operations. Thanks to its paint substitution initiatives (replacement of solvent containing paints by aqueous paints), Alstom divided by two its VOC emissions over the last five years. Alstom is continuing its efforts with the ambition to reduce the intensity of those emissions. For that, Alstom is thinking about a relevant indicator that would be related to activity.

Results: At the end of 2015, non-methane VOC emissions are almost stable compared with 2014.

Detail of non-methane VOC emissions

(in metric tons)	2014	2015
VOC emissions	146 (*)	150

Source: Alstom Teranga.
(*) Emissions of the reference year modified to integrate data corrections done on Belfort site.

Other emissions

In 2015, 44% of sites have obligations to monitor the quantity or the quality of air emissions. The various obligations in terms of nature and limits of the emissions do not allow those figures to be consolidated at Alstom level. Nevertheless, Alstom ensures, through a new indicator measuring the regulatory compliance of the air emissions created in 2015, that regulatory monitoring is done and the authorised thresholds respected.

RAW MATERIALS

Alstom, as an engineering company, does not use a significant amount of raw materials as such. It generally uses already transformed material or components. Nevertheless, through its sustainable development policy, Alstom encourages its suppliers to work on raw material reduction whenever possible. For more information on Alstom's approach to "sustainable supplies", please refer to the section "Relationships with suppliers and contractors".

NOISE POLLUTION

The main impact comes from Alstom's night activities, in particular the maintenance operations in the urban depots. The issue is addressed at site level in order to take into account the local specificities.

Thus, in the UK for example, where the maintenance activity is well developed, the noise issue is managed as a priority to ensure that the impact from noise has a minimum effect on the neighbourhood. Noise level monitoring is systematically put in place around the sites and works areas. For outside works, such as signalling works that generally occur at night, mitigation measures have been put in place such as the use of equipment which allows noise levels to be kept to a minimum. Engagement programmes have been implemented with local residents, as have Tool Box talks with staff to ensure that they comply with the rules and behave with respect for the public.

SOIL POLLUTION

The current and standard Alstom activities do not generate soil releases. Nevertheless some accidental leakage prevention devices are deployed on site. On old sites potentially contaminated as a result of past activities, Alstom implements a monitoring and management programme and ensures to be compliant with local regulations.

GROUND FOOTPRINT

Most production sites have been located in areas dedicated to industrial activities for a long time. During project development of new sites or renovation of existing sites, Alstom takes into account the applicable regulations regarding soil sealing and maintenance of green spaces. The ground footprint of industrial Alstom sites and the associated environmental impacts are not considered significant and therefore not subject to detailed analysis.

WASTE MANAGEMENT

Waste production, recovery and disposal

Objectives 2020:

- maintain the percentage of recovered waste at 80%;
- reduce waste intensity by 10% compared with reference year 2014.

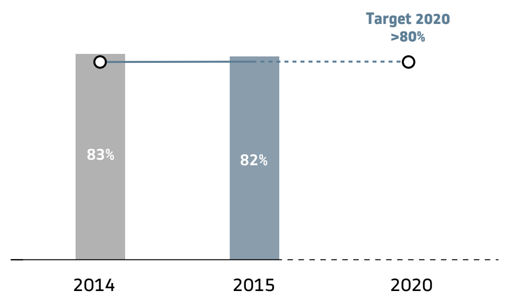
Objectives 2015:

- recover 80% of the total waste;
- reduce waste intensity by 2% compared with 2014.

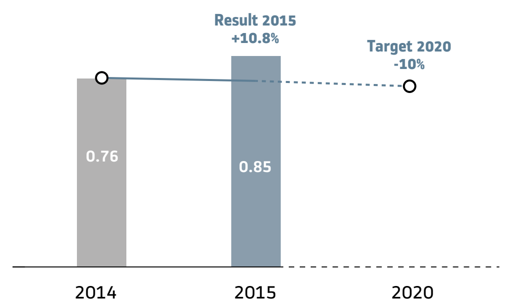
The Company is pursuing its objective of waste recovery at 80% with particular emphasis on countries in which waste recovery is not developed. The Company defined a new indicator to measure the impact of its activities on waste production. Waste intensity is defined as the amount of waste produced in relation to Alstom activity. The activity is measured in hours worked.

Results: By the end of 2015, the waste recovery rate is 82%. The target is reached. The waste intensity increased by 10.8% compared to 2014.

PERCENTAGE OF RECOVERED WASTE



WASTE INTENSITY *(in kg / hours worked)*



The first waste intensity results are not in the right trend (+10.8%), but this is a first step of performance measurement. Moreover, Tarbes site had an unusual activity generating waste, impacting the global result (representing around 1,200 tons of dangerous waste). This indicator will be followed more closely in the coming years.

WASTE PRODUCTION

(in metric tons)	2014	2015
Hazardous waste	2,658	4,236
Waste recovered	*1,635*	*1,790*
Non-hazardous waste	27,710 (*)	28,860
Waste recovered	*23,656*	*25,420*
TOTAL WASTE PRODUCTION	**30,368**	**33,096**

Source: Alstom Teranga.
(*) Consumption of the reference year modified to integrate data updates on Ballarat site.

MANAGEMENT OF CONTROVERSIAL SUBSTANCES

Elimination of asbestos

Utilisation of any asbestos or material containing asbestos is strictly prohibited in Alstom's products.

It has been Alstom's policy for many years to manage the risk of exposure to asbestos in all its operational units: asbestos surveys in its buildings (leased or owned) and equipment, abatement plans according to the risks, including in countries where asbestos is not prohibited. The Company applies instructions to frame the monitoring process and workers' protection; these instructions have been updated and improved regularly.

Within this framework, Alstom retains the ambition to eradicate asbestos in its buildings as far as reasonably and economically practicable.

"Pro-active" application of the regulation on the use of hazardous substances and REACH regulation management

As a complex product and service supplier working in an international environment, Alstom is impacted by the REACH regulation [1] (in the European Economic Area) and by regulatory provisions of the same type in other regions, in its design activities and project implementation undertaken within and from Europe. REACH being the most demanding of the regulations in this area, Alstom has issued rules on the use of hazardous substances for all its solutions which use it as a basis whilst taking into account the specificities of other regions.

There are two main potential impacts on items and components included in Alstom solutions:

- the obligation to inform the customers about Substances of Very High Concern (SVHC);
- the risk of a lack of supply for critical yet hazardous substances as suppliers could stop providing them.

It is generally understood that:

- Alstom does not need to register any substance because it does not import or manufacture any chemical substance in quantities above 1 ton/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 Company does not supply products containing more than 0.1% of these identified substances and in quantities above 1 ton per year;
- Alstom has set up provisions to identify the presence of Substances of Very High Concern (SVCH) included in the list of candidate substances published by the ECHA; Alstom substitutes these substances whenever technically feasible and communicates to its customers the presence of SVHC when substitution is not feasible;
- 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 dealing with exclusive representatives in order to import chemicals into the European Economic Area, the issuing of instructions to suppliers concerning substances and articles listed in the REACH regulation and the gathering of information from suppliers about the possible presence of hazardous substances in the products. Alstom also identifies hazardous articles thanks to internal experts, implements substitution programmes when necessary and updates internal process of chemical hazard management.

For four years, Alstom'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 20,000 cases of components or parts that contain candidate substances have been detected since 2012. These components are monitored in order to progressively substitute these substances with more environmentally friendly ones. Currently, 48% of detected cases have already been substituted. With respect to substances subject to authorisation, as published in Annex XIV of the REACH regulation, around 1,400 cases have been detected and are currently being addressed with suppliers. Thus 85% of Annex XIV cases are now secured and 100% will be secured before the legal deadlines.

(1) European Regulation No. 1907/2006 of the European Parliament and Council, dated 18 December 2006, for Registration, Evaluation, Authorization and Registration of Chemicals (REACH).

Conflict minerals

Alstom is following the discussions concerning the May 2014 proposal of the European Union to establish a European self-certification mechanism as part of due diligence on supply chain for importers of tin, tantalum, tungsten, their minerals and gold originating from conflict or high risk zones.

The Company supports the work of the Union of European Rail Industries (UNIFE) [(1)], which calls on the European institutions to maintain the original approach of the proposal by keeping the focus on the upstream segments of the supply chain which are key in the due diligence process.

Alstom is also committed to a sustainable supply chain approach designed to identify and reduce environmental and social impacts of the supply chain by ensuring the traceability of all products and operations. Several initiatives have been launched this year in this direction, including:

- the revision to the Sustainable Development Charter in January 2016 to introduce a specific paragraph on minerals from conflict or high risk areas – for producers or suppliers of goods containing tin, tantalum, tungsten or gold. This new Charter is being deployed with Alstom's main relevant suppliers;
- the implementation of sustainable development assessments for its suppliers which include a specific dimension regarding conflict minerals for the relevant segments, as part of its sustainable sourcing approach.

For more information on the Alstom sustainable sourcing approach, please refer to the section "Relationships with suppliers and contractors".

BIODIVERSITY PROTECTION

A biodiversity assessment was conducted in March 2013 to evaluate Alstom's manufacturing sites of more than 200 employees. It used the Integrated Biodiversity Assessment Tool (IBAT), a database which allows the proximity of sites to sensitive biodiversity areas to be assessed.

Updated with the list of relevant sites in 2016, the assessment highlighted that, of the main 25 production sites, 23 are located outside legally protected areas [(2)] and/or priority sites for biodiversity [(3)], representing over 90% of Alstom major manufacturing sites; all these sites keep abreast of regulatory changes.

Alstom currently does not own any site located within the sub-categories of legally protected areas (IUCN I, II, III and IV) nor within priority sites for biodiversity.

The two sites identified as being in biodiversity hotspots are located in France. The Reichshoffen manufacturing site is situated in a protected area classified IUCN V-VI (protected landscape / protected area with sustainable use of natural resources) and the Ornans manufacturing site in an area classified Natura 2000. At both sites, monitoring and compliance processes have been implemented, in line with the regulations. This year, Reichshoffen site has launched a project to protect the river crossing the site by treating the accidental release of oil from parking lots and roads (oil separators), thereby preventing harmful discharges from entering into the environment.

EMPLOYEE AWARENESS AND RECOGNITION FOR BEST PRACTICES

The Company undertakes communication and awareness actions on good environmental practices for its employees, especially within the framework of ISO 14001. These actions are completed by mobilisation programmes often combined with health and safety awareness programmes.

Thus, in 2015, Middle East & Africa, Latin America and Europe Regions launched an inter-site EHS challenge to promote the best health, safety and environmental practices. In Europe an outstanding number of proposals (340) of good practices were submitted. The cluster Germany/Austria won the health and safety good practice prize thanks to a system reducing the risks during rail vehicle movements, while Italy won the award for the best environmental practice related to its energy management. The cluster United Kingdom/Ireland won the global event, for which the selection criteria were the degree of innovation of the good practices, the EHS performance, the recognition of performance by customers and the contribution to the Alstom EHS programme deployment. In a similar spirit, services sites in Algeria and infrastructure & systems sites in Dubai won the challenge for Middle East & Africa.

These initiatives may be generalised across all Alstom activities worldwide. Furthermore, some Alstom environmental practices are recognised by external stakeholders. For example in France, Villeurbanne site won the Rhône-Alpes region Mobility Challenge, which rewards companies whose employees go to work by green modes of transport. With 72% of participation, it ranked first in the category of companies with over 1,000 people. The site had previously won the prize awarded for the Grand-Lyon city area.

(1) Position paper – EU draft regulation on responsible sourcing of minerals, UNIFE, July 2015.
(2) Legally protected areas (PA): IUCN I-VI, World heritage sites, Natura 2000, Ramsar, OSPAR, Barcelona convention, ASEAN heritage sites. Definitions of IUCN I-VI, Natura 2000, "biodiversity hotspots", etc. available on www.biodiversitya-z.org.
(3) Priority sites for Biodiversity (KBA): Important Bird Area (IBA) and AZE.

SOCIAL PERFORMANCE

To succeed on numerous, wide-scale projects, and implement state-of-the-art technology and equipment, Alstom needs competent, motivated and dedicated employees and teams worldwide.

People are Alstom greatest asset – they shape its future. Alstom's Human Resources (HR) strategy is based on its values – Team, Trust & Action and Ethics & Compliance and its Leadership dimensions – Entrepreneurship, Collaboration, Agility and Global Vision.

The objective is to ensure consistency and fairness for all employees. These values bring all Alstom employees together in a shared culture and aim to inspire a strong feeling of belonging to a single unified organisation.

Promoting diversity, equal opportunity, dialogue, commitment to Environment, Health & Safety, Security, people management and development, knowledge-sharing, and recognition of employees' individual and collective contribution are at the heart of the Company's priorities to build a great working environment.

A STRONG FOCUS ON OCCUPATIONAL HEALTH AND SAFETY

Occupational accident prevention

Alstom is pursuing an ambitious policy to reduce occupational health and safety risks for employees, whether permanent or temporary, and for contractors involved in the Company's activities.

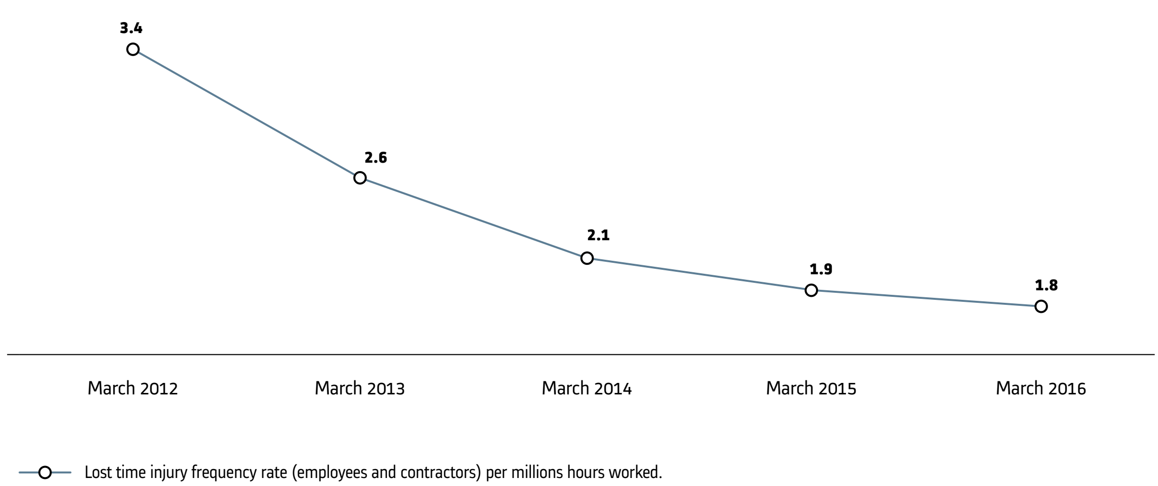
Alstom occupational safety objectives and results

Safety objectives:

- zero fatalities at work (for employees and contractors);
- occupational injury frequency rate (for employees and contractors) at 1 by 2020.

Result: The lost time injury frequency rate of employees and contractors was 1.8 at 31 March 2016, in line with the Company's yearly objectives and 2020 ambition. Alstom did not record any fatality at work in 2015/16, however, unfortunately, two Alstom employees lost their lives in a car accident when they were traveling to work in India. The Company is developing in countries where road safety risks are high and has put in place actions to better record such events in order to deploy the necessary measures and improve risk prevention.

OCCUPATIONAL INJURY FREQUENCY RATE – EMPLOYEES AND CONTRACTORS



Alstom deploys strong programmes to reduce occupational accidents wherever it operates worldwide and involves both its employees and its contractors who may be significantly exposed to accident risks. Efforts made achieved tangible results: in five years the injury frequency rate has almost halved while the number of workplace fatalities has decreased from several cases a year to zero in the last three consecutive years. Following a tragic accident in India resulting in two fatalities in February 2016, Alstom has introduced a specific "number of travel fatalities" indicator in its Group's reporting.

Occupational safety remains, however, of the utmost priority for the entire Company: the nature of Alstom's activities, its development in countries where the level of consideration of health and safety risks is sometimes low, its complex partnerships in construction activities, obliges the Company to focus on the control of the most hazardous activities and to observe a high level of vigilance in order to maintain and improve its results.

KEY RESULTS ON OCCUPATIONAL SAFETY

	2014/15	2015/16
Number of fatalities at work (Alstom employees and contractors) (1)	0	0
Number of travel fatalities (Alstom employees) (2)	Not recorded	2
Number of occupational severe accidents (3)	8 (4)	6
Lost time injury frequency rate (employees and contractors) – IFR 1 (5)	1.9 (6)	1.8

Source: Alstom Teranga.
(1) Includes all accidental fatalities at the workplace and on the way between two workplaces.
(2) Includes all accidental fatalities on the way from home to work or work to home, when Alstom directly or indirectly participates in the travel organisation.
(3) Occupational severe accident: fatal accident and any accident resulting in permanent consequences (either in permanent disfigurement, or permanent disability such as amputation of any digit or part of a digit) whatever the length of the medical leave, as well as any accident causing fracture requiring surgery, whatever the length of the medical leave. Severe accidents between two workplaces are included, severe accidents on the way from home to work or from work to home are excluded.
(4) Adjusted data: 10 severe accidents were reported instead of 8.
(5) IFR 1: Number of work-related injuries, which prevents the injured person from carrying out work for a period of at least one full day, per million of hours worked. Accidents on the way from home to work or from work to home are excluded from the calculation of the indicator.
(6) Adjusted data: 1.9 *versus* 2.0 due to three accidents reported in 2014/2015 fiscal year that were not recognised as occupational by relevant Authorities and removed from our records.

The Company's occupational safety approach is primarily to prevent severe and fatal accidents.

The number of severe accidents is used to measure the trend. Alstom has used for several years a definition of severe accidents which is adapted to the international context of its operations, where durations of medical leave may vary from one country to another one for a same medical condition.

Management of occupational safety

Management of occupational safety is based on:

- consideration given to safety risks at all levels of the Company starting at the top;
- deployment of safety objectives in the organisation and periodical results reviews at the same frequency and in the same internal steering committees as for financial results reviews;
- implementation of a health and safety programme: control of the most hazardous activities, systematic and deep analysis of all severe or potentially severe accidents, development and deployment of internal standards, targeted training actions to involve employees, development of the safety practices of our contractors, communication and raising-awareness actions;
- an EHS ("Environment, Health & Safety") organisation made of a network of about 200 professionals led both in the Regions and centrally.

"Alstom Zero Deviation Plan" (AZDP)

This plan, launched in June 2012 in order to reduce the number of fatal and severe accidents resulting from the Company's activities, is focused on the control of our most hazardous activities and has strongly contributed to the reduction of the number of occupational fatalities.

The plan is structured around 11 Alstom directives, each of them being dedicated to one high risk activity (example: train movement, work at height, lifting, etc.) and requires strict compliance to 50 safety requirements in all activities where Alstom operates worldwide and the implementation of a "zero tolerance" to deviations policy.

Each Alstom entity regularly proceeds to the self-assessment of its compliance to the directives while a three-year centrally managed audit programme is deployed in the Company both in big industrial sites and in smaller activities such as activities in depots or in construction.

The "AZDP" remains the cornerstone of the Company's initiatives to reach "zero severe accidents".

In 2015, following the transfer of the Energy activities to General Electric, Alstom slightly reviewed the requirements of the directives to make them even more consistent with specific railway risks. Alstom maintained an ambitious audit programme built on the exposure to risks of its operations.

	2014/15	2015/16
Number of formal AZDP audits conducted during the fiscal year	46	61

Source: Alstom (EHS Library).

Return of Experience ("REX")

An immediate (24 hours) notification process is in place when a lost time accident or a severe event or an event that could potentially have been severe occurs in the Company. This allows the organisation to react quickly when necessary. Each severe or potentially severe accident is analysed to identify the root causes of its occurrence and take measures to avoid a new occurrence. It is then subject to return of experience analysis during systematic reviews organised by the Head of the EHS organisation in each Alstom Region. Lessons learned are shared within the Company. When necessary the Company safety standards are upgraded to take into account the return of experience.

During the fiscal year the Company continued to deploy a programme initiated in the previous fiscal year to train the EHS community on accident investigation and analysis, in order to reinforce its capacity to identify the root causes of events. Moreover, 36 return of experience sessions about severe or potentially severe accidents were conducted during the year and each one was summarised into a synthetic report issued within Alstom and available in the shared EHS platform of the Company. A new safety standard for train manoeuvres was also created and deployed as a result of the return of experience initiative.

Safety Observation Visits

The "Safety Observation Visits" programme was initiated last year and is intended to develop managerial practices encouraging a positive safety culture and safe behaviour by all our employees. Alstom continued to deploy the programme during the fiscal year in all sites where the level of safety maturity allowed such an initiative to be conducted. As at March 2016, safety observation visits are regularly conducted in nearly 100% of European sites. The initiative is being progressively deployed in the rest of the world.

Health and Safety Training

	2014	2015
Number of persons ("trainees") (1) having received a class-room EHS training during calendar year	3,960	3,670
% of Alstom employees trained to e-learning module on High Risk Activities (2)	82%	86%

Source: Alstom HRIS.

(1) A person having participated in several training courses is counted several times.

(2) Alstom deploys an e-learning programme about high risk activities targeting all employees. The table gives the percentage of employees of Alstom at the end of the calendar year who followed the training course.

In complement to training required by regulations, Alstom designs and deploys safety training modules to answer specific needs and permanently adapts its internal training offer.

During the year the Company designed a new one-day training course targeting employees involved in the dynamic testing of rolling stock with the intention to raise consciousness about risks coming from railway environment. This training will be deployed next year.

Occupational diseases

	2014	2015
Number of recognised occupational diseases in Europe during calendar year	22	17

Source: Alstom Teranga.

The absence of an international definition of occupational diseases makes it difficult to aggregate the data in this domain. Therefore the reported figures are restricted to the European perimeter.

Alstom strives to reduce risks of occurrence of occupational diseases. On top of preventive or protective measures resulting from work place risk assessment, Alstom seeks to better take into account ergonomics in the design of workstations: each year Alstom industrial teams conduct audits as per the APSYS referential ("Alstom Production SYStem") in production sites to measure the progress made in respect of Alstom's operational requirements. The ergonomics of workstations is one of the assessed criteria in these audits. In 2015/16, 30 APSYS audits were conducted. Alstom also takes into account measures to reduce asbestos risks as described in the section "Management of controversial substances".

Health and Safety awareness programmes and performance awards

Alstom conducts several actions for communicating and recognising performance in order to raise health and safety awareness among its employees and contractors.

- In its internal guide "Visible Active Leadership", dedicated to EHS managerial practices, Alstom recommends to establish a fair balance between the recognition of individual initiatives and discipline, *i.e.* strict application of EHS rules. As a result local programmes were initiated for recognition of the employees according to their implication in the control of the environment and health and safety risks. In 2015, 50 units in Alstom deployed such programmes, the detailed content of which was left to the initiative of every site so that it perfectly fitted with the local cultural context. As an example, Alstom Jerusalem services put in place such a programme. The "employee of the month" is celebrated each month. The compliance with the safety rules, the escalation of potential health and safety risks, the improvement ideas and the actions to reduce risks are all part of the criteria considered for the selection. The practices and the achievements of the employee which led to his/her selection are promoted *via* a poster campaign.
- Alstom also conducts training, awareness and performance recognition actions with its contractors. As an example, in Brazil, the prize for the best contractor is delivered yearly based on considerations of several criteria such as legal compliance, participation in training provided by Alstom, involvement in monthly meetings, reactivity in closing gaps to requirements. This type of initiative will further expand in the future.

- In 2015, Romanian services activities deployed an innovative initiative, so-called "EHS Daily", which was mid-way between a training programme and a challenge. It aimed at anchoring sustainably the health and safety knowledge of employees. During two months, more than 300 employees, gathered in teams, were invited to take part in an interactive contest and to spontaneously and daily connect to a digital platform to answer questions about safety that were derived from situations in their own working environment. The system used to analyse the answers was designed to ensure that the knowledge was properly anchored in employee's minds or to ensure that it was acquired when applicable. The initiative was a great success: more than 85% of employees spontaneously connected and entered the competition and 98% of participants considered that the action had reinforced their understanding of health and safety rules. Given the success of this pilot, further developments are being considered.
- EHS inter-site challenges were also organised as described in the "Environmental Performance" section.

Assessment of 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.

It is formally recommended that all operational managers whose action impacts on Environment, Health and Safety have one of their objectives related to results or undertaken actions.

Life insurance

Objective: All employees are covered by a life insurance in case of accidental death representing at least one year salary.

Results: The evolution of employee coverage is considered satisfactory.

	2014 (*)	2015
Ratio of employees covered by a life insurance in case of accidental death	98.0%	98.6%
Ratio of employees covered by a life insurance giving one year salary	83.2%	83.9%

Source: Alstom social survey conducted in 21 countries representing 93% of Alstom's total headcount.
(*) 2014 data has been modified in order to take into account Alstom new perimeter following the separation of Transport and Energy activities.

In some countries such as Poland, employer contributions to insurance policies are considered as a taxable benefit, leading some employees to decline this offer.

HUMAN RESOURCES POLICY

In 2015, Human Resources 2020 strategy has been newly designed in a highly collaborative manner, involving operational managers and professionals from the Human Resources community, in order to anticipate and support growth. Five pillars are defined as Human Resources Strategy as presented below:

- build local leaders & expertise;
- promote knowledge management;
- connect passionate people to foster innovation;
- provide a seamless people management cycle;
- develop diverse and entrepreneurial people.

Human Resources Policy is driven and implemented with alignment of this strategy.

WORKFORCE AND WORK ORGANISATION

The figures in the following tables include permanent contracts, fixed-term contracts, apprentices, trainees and long term absentees (LTA), unless otherwise stated. Altogether, they represent the total number of employees.

Note: Alstom HRIS stands for Alstom Human Resources Information System, a worldwide database supporting human resources management.

Breakdown by Type of contract

At 31 March 2015				At 31 March 2016			
Permanent contracts	Fixed-Term contracts	Interns	Total employees	Permanent contracts	Fixed-term contracts	Interns	Total employees
25,848	1,695	564	28,107	28,722	1,628	620	30,970

Source: Alstom HRIS.

Breakdown by Region

	At 31 March 2015					At 31 March 2016				
	Middle East / Africa	Asia / Pacific	Europe	Americas	Total	Middle East / Africa	Asia / Pacific	Europe	Americas	Total
Employees	1,394	2,312	20,523	3,878	28,107	1,698	3,173	21,254	4,845	30,970
% of employees	5.0%	8.2%	73.0%	13.8%	100.0%	5.5%	10.2%	68.6%	15.6%	100.0%
Out of which long-term absentees (LTA)	11	3	552	63	629	10	4	490	66	570

Source: Alstom HRIS.

Breakdown by category

At 31 March 2015				At 31 March 2016			
Managers and professionals		Other employees		Managers and professionals		Other employees	
Total	% of total employees	Total	% of total employees	Total	% of total employees	Total	% of total employees
12,569	44.7%	15,538	55.3%	14,426	46.6%	16,544	53.4%

Source: Alstom HRIS.

Breakdown by gender

At 31 March 2015				At 31 March 2016			
Men		Women		Men		Women	
Total	% of total employees	Total	% of total employees	Total	% of total employees	Total	% of total employees
23,770	84.6%	4,337	15.4%	25,731	83.1%	5,239	16.9%

Source: Alstom HRIS.

Workforce changes during fiscal year

At 31 March 2015						At 31 March 2016					
Hiring on permanent contracts	Hiring on fixed-term contracts	Resignations	Redundancies	Dismissals (1)	Other departures (2)	Hiring on permanent contracts	Hiring on fixed-term contracts	Resignations	Redundancies	Dismissals (1)	Other departures (2)
2,442	969	776	359	449	1,064	3,228	997	852	173	458	1,802

Source: Alstom HRIS.
(1) Calculated on permanent headcount only.
(2) Including retirement, not including disposals and acquisitions.

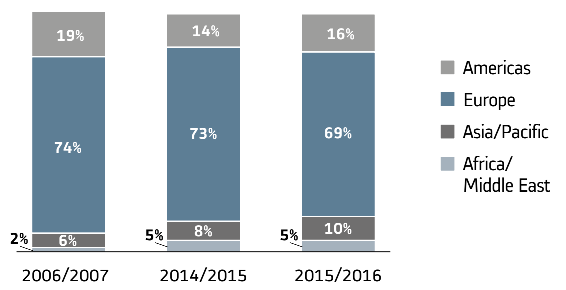
Adapting the workforce to the markets and activities

At 31 March 2016, Alstom employed directly 30,970 people. Hired staff – who have no direct employment contract nor training contract with an Alstom subsidiary but are hired because of a fluctuation of activity – represent 2,365 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 nine years, which demonstrates the development in emerging countries where the markets grow faster. The main workforce evolution in 2015 is noted in India resulting from the significant growth in all activities of the portfolio, the development of Alstom India as a strong local leader and the increase of supporting activities for the whole Alstom. The integration of GE Signalling business also impacted workforce figures, mainly in USA.

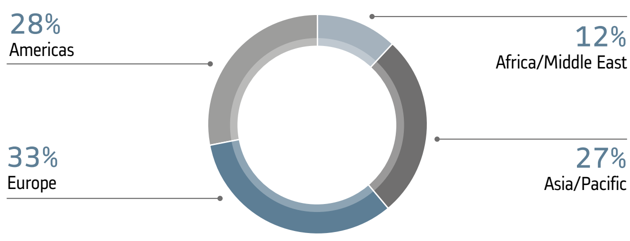
WORKFORCE BREAKDOWN BY REGION (EMPLOYEES)



Source: Alstom HRIS.

Alstom recruited 3,228 permanent employees over fiscal year 2015/16. In particular, active relationships and partnerships with schools and universities is key in Alstom recruitment policy.

RECRUITMENT BY REGION IN 2015/16 (PERMANENT CONTRACTS)



Source: Alstom HRIS.

Organisation of working time

Work practices at Alstom's industrial, commercial and administrative sites vary greatly depending on the site, type of activity, geographical location and local legislation.

In France, out of a total of 8,926 employees, 12% of the employees work on 2x8 shifts, 3% on 3x8 shifts and less than 1% on weekend shifts.

Overtime

Overtime refers to hours worked beyond the individual contractual laws. The concept of overtime may vary from one country to the next and in some cases is not applicable. This somewhat mitigates the relevance of this benchmark as a consolidated indicator.

In France, the average figure of overtime is 7.3 hours per employee for calendar year 2015.

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 worldwide.

Respecting business ethics

Culture and reputation for integrity are essential for Alstom. Such a reputation can only be built through a permanent benchmark to meet the 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 worldwide. The Company culture embraces all ethical best standards based on the Alstom values: Team, Trust, Action. This culture must permeate the whole organisation, the tone from the top being relayed by each level of the management up to each and every employee.

The Alstom Integrity Programme comprises:

- the Code of Ethics, which applies to every employee. Published in 2001, it was reviewed and updated for the last time in February 2016. It includes a set of practical tools for employees. It is available in various languages.

  The Code of Ethics prescribes essential rules of conduct with regard to the relationships with business partners, the role of Alstom in its environment, the promotion of a team spirit and the commitment to protect Company's assets.

  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, according to the applicable legislation, a violation of the Code of Ethics or Alstom rules and policies. The Alert Procedure allows several means of reporting, including a secure website (www.alstom.ethicspoint.com) and a toll-free hotline, both reachable 24 hours a day, seven days a week, 365 days a year.

Alstom has made the decision in October 2015 to widen the scope of the Alstom Alert Procedure to cover all the values and principles of the Alstom Code of Ethics, according to the applicable legislation in each country. The updated list of categories for reporting is as follows:

- fight against corruption,
- anti-competitive practices,
- conflicts of Interest,
- the fight against discrimination and harassment at the workplace,
- health, safety and security at the workplace,
- protection of the environment,
- other violations of Alstom rules, policies and internal controls (including violation of power of attorney / delegation of authority limits);

- E&C Instructions which provide detailed guidance to employees on rules and procedures to strictly apply in the areas of gifts and hospitality, political contributions, charitable contributions, sponsorship, sales partners, consulting companies, conflicts of interest, facilitation payments and prevention of corruption with suppliers and contractors and in joint venture and consortium. In 2015, all the instructions were reviewed and adapted to the new organisation of Alstom;
- awareness and training of employees are essential to explain the Alstom's Ethics & Compliance policy and are available on multiple media: on-line modules in our catalogue "e-learning", live sessions and specialists interventions on the questions of ethics and compliance.

  The e-Ethics module related to the Code of Ethics targets Managers & Professionals for whom it is compulsory. They must retake and complete it every two years. The "E&C Class" of three hours in face to face has already been given to more than 75% of the targeted population of employees who could be confronted with corruption risks;
- a community of approximately 150 E&C ambassadors, all volunteers who come mainly from the Legal, Finance and Human Resource functions. Their main role is to promote the culture of integrity through E&C Awareness sessions and to be a contact point for questions about ethics and compliance. The 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;
- 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 Alstom's intranet, called "Ethics & Compliance", containing information on the efforts and the initiatives of Alstom to fight corruption,
  - regular news on Alstom's internal communication tools (intranet, social network of Alstom, magazines),
  - 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.

On 12 September 2011, the Alstom Integrity Programme was awarded a certificate from ETHIC Intelligence, a certifying body specialised in the field of ethics and compliance policies and, in particular, in matters of prevention of corruption. In May 2014, the programme received a new certification following an audit of the procedures in various countries and on the recommendations of international and recognised anti-bribery experts. The ETHIC Intelligence Certification Committee concluded that Alstom's anti-corruption compliance system is designed and implemented in ways which correspond to international best practices.

In February 2015, after an observation period of three years with an independent compliance monitor, the World Bank's Integrity Compliance Office ("ICO") concluded that Alstom has implemented a corporate compliance programme in line with the World Bank's guidelines on the subject and that Alstom has satisfied all its conditions in accordance with the 21 February 2012 settlement. Furthermore, under Alstom's 22 December 2014 plea agreement with the US Department of Justice (DOJ) and based on the ICO's conclusions, the DOJ has not required Alstom to undergo an additional monitoring.

On 21 December 2015, the Norwegian sovereign fund NBIM announced the removal of Alstom of from its observation list [1].

To monitor the performance of the Alstom Integrity Programme, the E&C Department launched in 2012 the Yearly Integrity Review to gather feedback on the performance of the Alstom Integrity Programme during the year. The top managers requested to complete the questionnaires were identified by the Human Resources and discussed with the Chief Compliance Officer. The fourth exercise was launched on October 30, 2015. This year, the format of the questionnaire has been streamlined to facilitate the responses *via* a web-based survey; this has allowed the E&C Department to widen the scope of managers responding from around 150 managers to over 300 managers for this edition. This allowed over twice the number of managers the possibility to make their voice heard on the effectiveness of the Alstom Integrity Programme, areas of concern and suggestions to improve the programme. Based on the responses, the E&C Department provides to the CEO and the Ethics Compliance & Sustainability Committee members with a summary of employee feedback and statistics on the responses to the online survey. Then, the E&C Department prepares an action plan.

Respect of Human rights

The respect of Human rights is one of Alstom's fundamental commitments. 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's policy is to comply fully with the fundamental conventions of the International Labour Organisation (ILO), as specified in the Code of Ethics of the Company. Alstom also complies with the guiding principles of the Organisation for Economic Cooperation and Development (OECD), the United Nations Universal Declaration of Human Rights and those of the International Chamber of Commerce (ICC). The charter that Alstom's suppliers and contractors are requested to adhere to, stipulates that they must be compliant with the same principles and national or local regulations which are applicable to their activities (see section "Relationships with suppliers and contractors").

(1) Alstom had been on the fund's observation list since 2011, after a decision of the Norwegian Ministry of Finance to place Alstom under observation for up to four years based on concerns related to possible involvement in severe corruption.

Alstom is a member of the Global Compact, promoting the respect of human rights within its sphere of influence. In November 2015, the Alstom Chairman and CEO renewed his commitment to the 10 principles of the United Nations Global Compact.

In the day-to-day management of its activities, Alstom strives to strictly comply with its commitments in its sphere of influence:

- regarding human resources, Alstom applies a policy based on respect for individuals, their dignity, rights and individual liberties, and promotes their involvement in Company life. Alstom promotes all forms of dialogue with both individual employees and their representatives;
- Alstom conducts a social survey to ensure the absence of any incident regarding child labour, forced labour, freedom of association. This year, no incident was reported. Nine potential cases of discrimination are currently being analysed;
- an internal directive on individual data protection 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 orientation. All recorded information shall reflect these principles. All employees have the right to request access to their own data and to obtain the rectification of such data when justified;
- the respect of Human rights is one of the criteria examined by the Key Tender Board, an instance which can arbitrate on sensitive deals 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.

Alstom implements specific control measures when necessary. For example, in Qatar, Alstom performs inspections of the living conditions of contractors' migrant workers as part of the project of creation of a tramway line in Lusaï.

Involving employees in the Company

The development of a common culture is important to hold Alstom's employees together, which is done through:

- a set of Alstom's common values and ethical principles: Alstom's three core values – Trust, Team, Action – contribute to the sense of belonging. They are explained *via* awareness-raising actions and training at local level. As part of the performance review process, the manager, after in-depth discussion with the employee, evaluates how values are put into practice. Should improvement be identified during the performance review discussion, a specific development plan will be built and its implementation will be monitored with the support of the Human Resources team;
- four leadership dimensions – Entrepreneurship, Collaboration, Agility and Global vision,– based on these values. These Leadership dimensions have been presented to the management line in 2015 and are being defined as core behavioral competencies for all employees. Specific actions to promote, assess and develop these four dimensions are currently being designed and implemented. For example, in Latin America, as part of the local transformation programme launched in 2015, workshops were conducted by internal facilitators that involved all Managers, Engineers and Professionals (more than 1,000 people). They focused on driving cultural change by aligning on Alstom Leadership dimensions, boosting the leadership of each employee (Entrepreneurial mindset), and sharing a common vision;
- action plans to promote this involvement in the life of the Company – some major actions are detailed below – measured through specific indicators.

Well-being policy

In several countries, specific programmes are in place to improve employees' health and well-being at work such as fitness facilities, on the job concierge, healthy food proposals.

Actions in order to improve balance between personal and professional life are also developed at site and country levels (see section on "Equal Opportunity").

Remuneration schemes

Remuneration evolution

Due to Alstom's presence in numerous countries, influence of local inflation and economic situation, no comprehensive indicator can be developed. Alstom's policy is to review the employees' base salaries every year, and to have open negotiations with employee representatives where they exist.

Performance linked remuneration schemes

Short-term incentive scheme

Alstom's annual short-term incentive scheme is based on two performance factors: collective performance (60% of the incentive target) and individual performance (40% of the incentive target). The target incentive is the incentive payment that is received when 100% of the financial goals and individual objectives are met. If the financial results exceed the goals, the incentive paid out may exceed the target incentive.

Eligibility and incentive target rates are linked to the job grading and influenced by local market practice in each country. Nearly 10,000 employees were eligible to this remuneration scheme at 31 December 2015.

As safety, quality and environment care 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.

Profit-sharing

Alstom's policy aims to recognise collective performance. Profit-sharing schemes are in place in various countries (such as France, Brazil, Ecuador, Peru, Mexico or Italy) covering more than 13,000 of the Group's permanent employees.

The profit-sharing schemes are often calculated on agreed criteria, including the injury frequency rate reduction or other safety-related indicators. These schemes may also include business-related indicators such as the reduction of waste, or quality-related points.

Employee shareholding & long-term incentive scheme

Since its initial public offering and first listing, Alstom has implemented five capital increases reserved for employees and a plan to allocate free shares to all employees (May 2006). At the Extraordinary General Meeting held on 18 December 2015, a new authorisation for a capital increase dedicated to employees of up to 5,000,000 shares over a period of 38 months has been voted, including up to 2,000,000 shares to be dedicated to democratic distribution plans.

The Board of Directors has approved on 17 March 2016 a new programme of performance shares. 957,975 shares have been granted to 737 employees around the world, with a vesting period of three years and based on two internal and one external performance conditions, allowing the alignment of shareholders' and employees interests.

At 31 March 2016, the current and former Alstom employees held 1.35% of the Alstom share capital, either directly or through mutual funds.

Employee retention schemes

In order to ensure the success of the acquisition of the General Electric Signalling activities, some critical employees have been offered a retention bonus to secure the execution of some key customer projects over a period of 18 months.

Indicators to measure involvement

Regular indicators to measure motivation include overall resignation rate, absenteeism and results from opinion surveys.

Resignation rate

Resignation rate, which also reflects the general employment situation in each geographical area in which the Company operates, is one of the criteria used to determine the level of satisfaction of the Group's employees. The rates are closely monitored at both global and regional levels.

RESIGNATION RATE FOR EMPLOYEES ON PERMANENT CONTRACTS IN EACH REGION

Region	2014/15	2015/16
Europe + Africa / Middle East	2.2%	2.2%
Asia / Pacific	10.8%	8.9%
Americas	3.9%	4.8%
TOTAL	**3.0%**	**3.2%**

Source: Alstom HRIS.

The resignation rate is considered stable in 2015/16.

Absenteeism

Absenteeism indicator allows monitoring Alstom's ability to provide an appropriate working environment for its employees, as part of its well-being policy.

The average absenteeism rate amounts to 3.1% this year, with significant variations from country to country. This is the first year that the absenteeism rate is gathered at Group level. The data shows that 'Medical or sick absence due to personal injury and disease' accounts for 91% of total number of absence hours; appropriate actions and initiatives will be taken progressively in order to better identify causes of absenteeism and propose actions to influence the absenteeism rate.

As this indicator is monitored and analysed at local level, several local initiatives have already been implemented to reduce the absenteeism rate. For example, in Germany, a Company doctor is present full-time in office, while support from on-site psychiatric is in place to identify potential burn-out symptoms. Yoga courses and back exercises are provided to employees as well. Moreover, a re-integration process has been put in place to bring ill employees back to specific workplaces. Discussions with all leaders from all levels are conducted on a monthly basis to raise the awareness of the cost of absenteeism.

	2015
Absenteeism Rate	3.1%

Source: Social survey conducted in 20 countries (excluding India) representing 88% of the Company's total headcount.

Employee engagement surveys

Engagement is one of the pillars of the Alstom Human Resources strategy. In order to foster the employees' involvement, Alstom has launched surveys every two years which target to measure employees' opinion and assess employees' engagement on Company's vision, roadmap and strategy in order to implement appropriate actions.

Alstom conducted an Employee Opinion Survey by all its employees in November 2014 with a 64% response rate (2% higher than the 2012 survey). Improvement actions were launched in different Regions focusing on Sourcing, Engineering, Information Technology, Corporate Social responsibility areas. Most of the action plans included re-explaining the organisational principles to improve cooperation between teams as well as intensive deployment of the Alstom 2020 Strategy.

In particular:

- in Asia/Pacific Region, the two action plans post the engagement survey were launched:
  - "Work to be correctly rewarded (Salary, Bonus, Advantages)" – for which Alstom ensures that employees performance is well paid during the salary review; in addition, an annual reward ceremony for exceptional contributors have been initiated during the Annual Team Day. Key and critical employees today are also invited to a *"caffezinho"* (sharing a coffee) with Asia/Pacific management team,
  - "Management Communication of Alstom Strategy & Clarity of Organisation & Its principles" – for which Alstom started structured communication *via* a local Webcast. In addition, presentation of Region 2020 strategy is now an integral part of the induction programme for new comers. Face to face employee events are also great enablers to bring more clarity and shared vision of the strategy;
- in Germany, the entire management together with employees and employee representatives worked on the cascading of their strategy at local level to increase understanding and involvement of all contributors.

Next engagement survey is planned for autumn 2016.

MANAGING CAREERS AND DEVELOPING COMPETENCIES

Alstom is a high-technology company that handles large-scale, complex projects over the long-term. The quality of its teams, their skills and their commitment are crucial to its overall success.

Talent management remains a priority in 2015/16. Talent Management organisation aims to support Alstom in its talent development initiatives with a specific focus on diversity, talent pools and development of all its employees.

It is based around three pillars:

- talent acquisition;
- career management and talent development;
- Learning Solutions.

The network for Talent Management includes Talent Management teams of the regions and the headquarters.

Talent Acquisition

The Talent Acquisition overall objectives for the 2020 strategy are to:

- develop and deploy a Talent Acquisition Strategy to better attract, engage & retain diverse workforce representative of the Company's organisation, values, territory demographics, societal views and customer base;
- develop & implement an attractive Alstom employer brand & effective employer value proposition;
- contribute to effective resource planning & processes, as well organisational transformation and talent mapping.

2016/17 fiscal year will focus primarily on developing the way Alstom attracts, engages and retains talent to the organisation, *via* the implementation of its new application management tool as well as the creation of a Global Sourcing Team, to be based in India. The overall objective this year is also to focus on social media and communication, *via* internal training and further development of the existing social media channels.

Developing active relationships with universities and developing a young talent value proposition

Alstom 2020 Strategy aims for a more diverse workforce, representative of its organisation, values, territory demographics, societal views and customer base. This diverse workforce must also include young talents.

For example,

- in Italy, Alstom Services business has put in place a partnership with ELIS school, which provides specific technical training in railways maintenance to post bachelor students. Signalling Departments in Bologna and Bari have also put in place a partnership with ITIS Cuccovillo school for specific technical training in electronics. Altogether 13 internships have been organised and 160 hours of lectures have been provided by experts;
- in India, the Young Engineering Graduate Programme (YEGP) has been implemented in 2015 in order to hire young talents, with strong support and relationship with universities. 56 young Engineering graduates were on-boarded in 2015/2016. To retain and to develop them, one month of detailed induction and integration pathway across departments was arranged with close monitoring of their development progress;
- in 2015, Alstom France welcomed over 80 apprenticeships and 230 trainees on its French sites and has set a goal of increasing by 20% the number of its apprentices in 2016.

"Millenials" – or those born between 1980 and 2000, are now entering employment in vast numbers. By 2020, they will form 50% of the global workforce and will represent 75% of the workforce by 2030 [(1)]. In order to identify, attract and recruit this particular talent group, Alstom has created a new function that will coordinate university and school relationships across the world and will provide a central toolkit and support for its Regions.

The objectives for 2016/17 fiscal year will include a global mapping of both current Alstom practices regarding relationships with universities, as well as an external analysis of industry best practices and competitors. Relevant tools for future young talent strategies will also be proposed and developed, including internal & external communications, internal networks, social media and the identification of Alstom ambassadors that will represent the Company. By the end of 2016/17 fiscal year, a new Young Talent Value Proposition should be in place to contribute to the overall 2020 Strategy.

Integrating new employees

Recruitment is followed by numerous actions to facilitate the integration of new employees into their teams.

Since the beginning of 2016, Alstom has been reviewing the onboarding & induction process, so as to ensure similar employee experience across all its Regions, taking into account local specificities. The Onboarding and Induction process will also aim to be more integrated with the recruitment and internal mobility practices.

Career management

In Alstom, employees are encouraged to take ownership of their development and to manage their own career in collaboration with their line manager and Human Resources manager. This allows each employee to play a key role in his/her own performance and in his/her advancement.

All employees are treated equally on the basis of their skills, especially with regards to employment, recruitment, talent identification, mobility, training, remuneration, health and safety, which rely on common processes and policies across Alstom.

(1) "Millenials at Work", PwC 2011. Bureau of US Labor statistics, 2014. Pew Research Center 2015.

To enhance internal mobility and stimulate employee applications, Alstom effectively motivates all categories of potential internal candidates. Promoting a strong employer brand in this way has helped position Alstom as a globally recognised benchmark employer, capable of both attracting the best talents and mobilising all employees around shared values (Trust, Team, Action) that are in line with Alstom's strategic development.

In most large countries where Alstom is present, regular resourcing forums are held to better identify the available competencies, business needs and to facilitate cross-functional and cross regional moves.

In January 2016, Alstom deployed SAP Success Factor with a new applicant tracking system. Above 2,000 total open positions are currently being uploaded and accessible from more than 60 countries.

Development programmes

Development programmes have been built for different communities, which address different populations within Alstom: technical experts, support functions and managers.

Technical experts' development programmes

Alstom manages the technical experts' development through programmes adapted to their specific needs and environment. In particular, World Class Engineering programme is an important yearly process in order to identify all technical experts, provide them with appropriate personal development opportunities and ensure that technical expertise remains in line with the evolution of the market and Alstom strategy. Alstom has a network of around 300 Senior Experts and 30 Master Experts.

Experts' main missions are:

- to use their technical expertise to support the teams in charge of the operational performance of bids and projects, whether this is done through design reviews or *via* the resolution of problems arising during commercial service;
- to develop the Alstom knowledge in their field, and to transmit their knowhow internally so to act as trainers;
- to develop their influence in their area of competence and get recognition, not only within their entity and within the Company, but also outside the Company (in particular for Master Experts).

Skills transfer programmes are implemented specifically for Senior & Master Experts in order to develop growing technical experts in the organisation.

Support function development programmes

Alstom continues to deploy a strategy of career management for several functions: Finance, Human Resources, Environment Health and Safety, Legal, and Communication, in order to develop functional expert communities. These communities are managed at central level. In addition to the management of communities, "Operations" have been considered and maps of competencies have been designed for Quality, Sourcing, Supply Chain, Industrial and Engineering communities for which a competency model has been issued.

Management development programmes

As regards management and leadership skills:

- the ALP ("Accelerated Leadership Programme") continues with a focus on diversity. 16 different nationalities were represented among the 25 participants and 31% women in 2015/16. The objective is to focus on "Leadership": Leading self – leading others – Change leadership and transitional leadership. Alstom also monitors the previous participants' evolution in the Company;
- Additional Regional Management & Leadership programmes are also under development in Middle-East and Africa and Asia Pacific.

Leadership programmes are complemented by the management training modules proposed by the Company.

Performance and talent management

Career path management relies on the combination of three processes articulated in the People Management Cycle (PMC) launched each year on 1 March. The PMC adapts to the business priorities and leads to improvements.

Alstom proposes that managers and employees follow an e-learning module focusing on performance management, definitions of promotability and structure of development plans.

Annual performance interview

Objective: All employees benefit from an annual performance interview.

	2014/15 (*)	2015/16
Number of managers and professionals with an annual performance interview	12,500	13,500

Source: Alstom HRIS.

(*) 2014/2015 data reflects Alstom new perimeter following the separation of Transport and Energy activities.

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. Since 2015, the annual interviews systematically assess the implementation of the four leadership dimensions.

The process is optional but recommended for all other employees.

People Reviews

People Reviews allow the current and future needs of Alstom (based on a competency mapping) to be matched with the available competent resources, and career paths to be set.

Alstom includes most of its managers, roughly 13,000, in people reviews carried out at sites, Regions, and functions as a whole.

Learning Solutions

Objective: Shape the competencies that Alstom needs, taking the employees' expectations into account.

	2014 (*)	2015
Percentage of employees who have had training	81%	68%
Average number of training hours/ employee	17 h	14 h
Total number of training hours	431,066 h	388,897 h

Source: Social survey conducted in 20 countries (excluding Israel) representing 93% of the Company's Total Headcount.
(*) 2014 data reflects Alstom new perimeter following the separation of Transport and Energy activities.

The rate of employees trained and the average number of training hours per employee has decreased during fiscal year 2015/16. The main reasons are:

- Considering circumstances on transition to new Alstom and integration of General Electric Signalling employees, countries focused on the analysis of training needs and planning to meet the organisation and business objectives. For example:
  - some functions like Finance, Human Resources, Legal, Sourcing concentrated on the separation tasks with General Electric and integration work of General Electric Signalling. Most of trainings related to these functions were not conducted in 2015,
  - many sessions were organised around the transition in various ways such as workshop, welcoming session, presentation about Company & Products, for duration shorter than four hours and for small groups, and these were not counted as trainings;
- Since development plans for employees have been targeted to offer a learning experience based on a 70:20:10 principle (70% on learnings on the job / 20% on special assignments and specific projects / 10% on formal training – face to face, e-learning, alternate formats *via* integration session), the Company focused to provide various options and alternatives for learning and to develop employees' career and knowledge. For example, in India, as part of competency build up for new engineers in new Rolling Stock & Component Engineering Center, focus was given to "on job training" for engineers either as business trip or short term assignment in 2015, instead of class room training sessions deployed in 2014.

Therefore the numbers of training hours can be slightly misleading.

Alstom Learning

Learning is a cornerstone of Alstom's people development's strategy. That's why Alstom Learning proposes top quality and mostly customised programmes. Carefully chosen expert partners – universities, external consultants, companies specialised in training design and delivery as well as internal specialists – collaborate on these programmes and a wide range of training methods is used (including classroom-based learning, workshops, virtual classrooms and also pure e-Learning).

Today the existing global catalogue proposes more than 127 modules (face to face and virtual classrooms) in a wide range of core business topics: Security, Environment Health and Safety, Manufacturing, Engineering, Project Management, Supply Chain, Sourcing, Finance, Legal, HR, Leadership and management, Ethics & compliance.

Main missions of the Learning team include:

- define and share yearly learning orientations in line with business strategy;
- design, build and manage a central and global learning offer and deploy it worldwide in order to develop employees and serve Alstom goals;
- animate and facilitate the sharing of best practices and networking into the Learning community;
- identify and train internal trainers across the organisation.

The learning orientations established for fiscal year 2015/16 focused on:

- continue to keep ethics and compliance at the heart of Alstom ways of working;
- have security and safety at the top of Alstom priorities;
- reinforce technical expertise and capacity to innovate;
- target excellence in execution of Alstom products and projects;
- lead and motivate diverse teams.

Knowledge management/transfer

Alstom believes that there is a positive and significant relationship between motivation and performance, and that having opportunities to learn is part of this motivation. Developing all employees is part of the Company's "People Management cycle" which guides managers in empowering their teams. For each employee a training plan is designed annually with his/her manager and Human Resources referent and put into action throughout the year.

Two levers of internal knowledge transfer are being promoted:

- the support to employees empowerment and autonomy in their development through specific actions such as:
  - 360° evaluations and the feedback that goes along: 130 managers, middle and senior management have benefited from this evaluation this year and 130 last year, on a total of 344 from the "Talent pool", which reaches almost 80% in two years' time,
  - Mentoring or coaching initiatives: 50 actions have been coordinated centrally. Other programmes are also developed at local level; for example in Brazil, the third edition of the mentoring programme has been launched with the following results in 2015: 21 Mentors, 27 Mentees, 200 sessions in total and 280 hours dedicated to sessions between Mentors and Mentees. A similar programme was deployed in North Latin America involving nine Mentors and nine Mentees which was also well appreciated by participants;
- the support to delivery of training by internal trainers. Indeed Alstom believes that being able to design and deliver training is a real managerial competency that needs to be valorised, but also that internal training helps to develop and keep the expertise within the Company and facilitates some knowledge transfer by being taught by colleagues. In 2015/16, additional 85 people have been trained to be trainers and more than 50% of training sessions at Alstom have been delivered by internal trainers.

EQUAL OPPORTUNITY

Diversity is one of the five pillars of Alstom 2020 Strategy (see chapter 1 Description of Group activities, section "Strategy" p. 7). Common objectives and KPIs have been set for the whole Alstom, around gender and multicultural diversity. By 2020, Alstom targets to reach 25% of women amongst managers & professionals and to ensure that the nationality of middle management and talent pool reflect Alstom's business worldwide. Country-specific diversity action plans are being set up, encompassing nationality and gender and beyond: age/generations, educational background, social status and ability/disability are also included in local action plans.

The following measures were validated and implemented in June 2015:

- diversity as an objective for Human Resources population;
- action plans in countries;
- short list policy: at least one diverse candidate in all short lists (gender, nationality, social background, disability);
- diversity of participants in the Accelerated Leadership Programme (16 nationalities and 31% of women in 2015/16);
- analysis of the salary gap between women and men for the same level of responsibilities, starting 2014/15 salary reviews.

Promoting gender equality

It is Alstom's policy to promote equal opportunities for men and women on the basis of equal employment and qualifications. This principle is included in Alstom's Code of Ethics and in the Company's Human Resources policy. Moreover, as previously mentioned, Alstom aims to have 25% of women among its Managers & Professionals.

The question of professional equality between women and men has been at the heart of Alstom's social and Human Resources policy for many years. It is nevertheless noteworthy that the training path leading to the skills required for most Alstom positions primarily attract men. The proportion of women in those curricula is about 15% to 20%, which prevents meaningful quantitative comparison. Therefore, Alstom focuses particularly on optimising the integration of women in its activities and offering them career opportunities.

In order to reinforce the diversity of its population, the Company acts at local and Alstom levels. In addition, through its local presence and offer of high-quality jobs and career development, Alstom is a strong contributor to the development of the countries in which it is located.

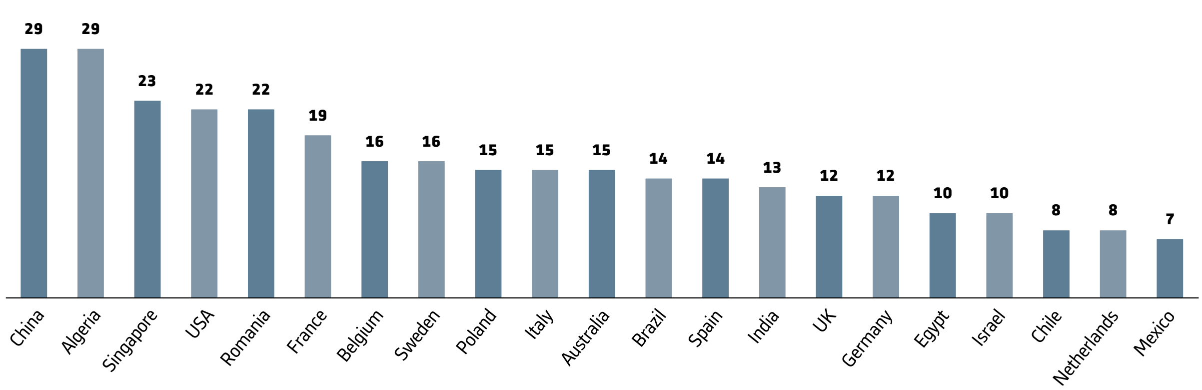
INDICATORS RELATED TO WOMEN BY CATEGORY

	2014/15 (*)	2015/16
Percentage of women in the workforce	15.4%	16.9%
Percentage of women: managers & professionals	18.6%	19.9%
Percentage of women: executives	12.6%	13.1%
Percentage of women trained in training sessions	14.0%	15.7%

Sources: Social survey conducted in 21 countries representing 93% of the Company's Total Headcount and Alstom HRIS.
(*) 2014/15 data reflects new Alstom perimeter following the separation of Transport and Energy activities.

The proportion of women in the headcount varies greatly between countries.

PERCENTAGE OF WOMEN PER COUNTRY (AS OF 31 DECEMBER 2015)



Source: Social survey conducted in 21 countries representing 93% of the Company's total headcount.

Supporting initiatives dedicated to promotion of women

In addition to actions launched in the previous fiscal year, Alstom requested this year all country organisations to define action plans to promote the employment of women. For example:

- In France, Alstom is member of *"Elles bougent",* a non-profit organisation which promotes industrial jobs to high school students by organising exchanges with female students and Alstom engineers and offering tours of workshops. This year in particular, Alstom participated in the Forum *"Elles bougent pour l'industrie en Rhône-Alpes"* in March 2015 and participated in the fourth edition of the forum "Feminine Networks and careers" in February 2016, with 70 CVs collected for internships or first jobs. Spain has followed suite and started a collaboration with *"Elles bougent"* Association in Madrid, to promote technical and engineer careers between women.
- In line with Alstom 2020 strategy on diversity, Alstom established a professional relationship with Valore D (http://valored.it/en) – the first association of large companies formed in Italy in order to support female's leadership in the corporate world. This initiative will give the opportunity to support, retain and motivate Alstom talented female employees and female employees who are in the Company's key roles. These employees have access to seminars, events and other lab dedicated to support female professional growth, work-life balance and promote diversity. The 35% of Alstom managers and professionals women will be involved this year in this process.
- In the UK, as part of the ATC joint-venture, Alstom is participating in the "Women Into Construction" initiative, a non profit organisation promoting construction related opportunities for women. Female contractors are offered a two to six weeks full time placement.
- In the USA, Alstom has continued numerous partnerships and participated in many programmes and activities. This year Alstom sponsored and attended the regional conference of the Society of Women Engineers (SWE) and also supported the national SWE conference. Alstom also participated in the fifth annual Celebrating Women Who Move the Nation (CWWMN); Alstom is part of the Equal Employment Advisory Council (EEAC) and 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 Programmes and Employment Opportunities Commission.

Balance between personal and professional life

In several countries, measures have been taken or renewed to encourage a good balance between personal and professional life. For example, Alstom encourages the development of its parental policy by starting systems of assistance to find childcare solutions or inter-company day nurseries whenever possible (Saint-Ouen or Villeurbanne in France).

Employment of disabled people

It has been a continuous guideline within Alstom to develop and support the integration and employment of disabled people. This enables those employees to work in a challenging environment while following the Alstom Code of Ethics – which strictly prohibits any discrimination on the basis of health or disability – and the local regulations.

With regards to disability, Alstom has started to develop a disability policy focusing on five complementary areas: job access, maintenance in employment, raising awareness, accessibility to premises and information, and partnership with the sheltered work sector. Each entity is encouraged to integrate this policy into its process. Each year, Alstom organises internal training sessions to help Human Resources team members better understand various situations relating to disability and to help prepare job interviews and the integration of people with disability.

PERCENTAGE OF EMPLOYEES WITH DISABILITIES

	2014	2015
Percentage of employees with disabilities	2.8%	2.6%

Source: Social survey conducted in 21 countries representing 93% of Alstom's total headcount.

The above table shows the average percentage of direct employees with disabilities, as per the social survey conducted in 21 countries. This indicator measures the level of integration of disabled people in direct staff.

Regulations regarding the employment of disabled people are very different from one country to another. Action plans to promote the integration of people with disabilities in the Company are therefore conducted at local level. For instance, the three-year action plan implemented in Brazil includes a "Disabled people inclusion programme". This programme includes the definition of an action plan to achieve country's target number on employment of disabled (5% of total employees), accessibility studies and partnerships with institutions.

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.

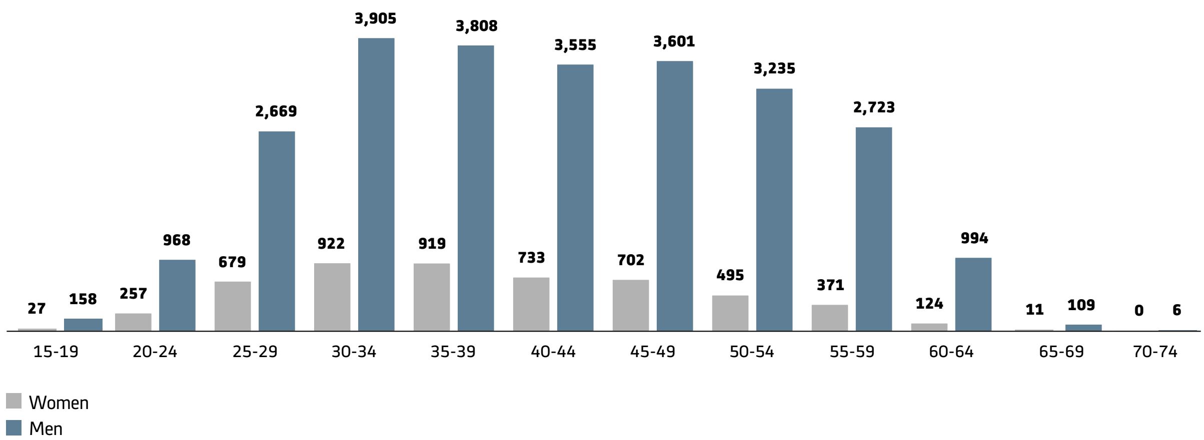
Two indicators measure diversity:

- nationalities in middle management and talent pools: progress has been made on localisation of managerial positions within the Alstom Regions, with Asia Pacific at 75%, Americas at 70%, Middle East at 50%, and Headquarters with 10% non Europeans;
- number of expatriates has increased from 320 in December 2014 to 365 in December 2015, reflecting Alstom's challenges to recruit local expertise in areas such as the Middle-East or India, where major projects were sold.

Managing senior careers

Age is obviously not a discrimination criterion. According the chart below, employees aged over 45 account for around 40% of the Group's headcount. The women/men breakdown *versus* age is identical.

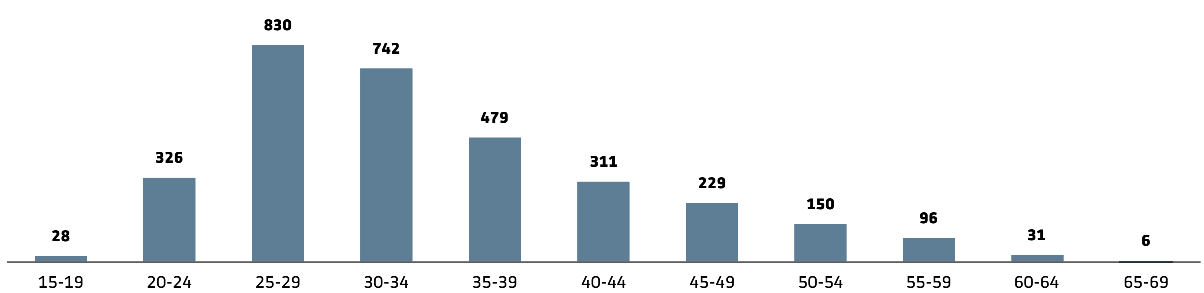
AGE PYRAMID BY GENDER – MARCH 2016



Source: Alstom HRIS.

Besides, 512 people aged over 45 were hired over the fiscal year, corresponding to 16% of the new permanent recruits.

AGE PYRAMID OF NEW HIRES 2015/16 – PERMANENT CONTRACTS



Source: Alstom HRIS.

EMPLOYEE RELATIONS

An internal survey, conducted in 21 countries and representing 93% of the Alstom headcount, showed that 76% of 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 Alstom. The European Works Forum (EWF) meets on a regular basis in various formats: eight select committees, 11 regular or extraordinary plenary sessions, 11 meetings of working groups held during 2015. The exchanges enabled the business situation and the impact on the workforce to be shared. Most meetings focused on transaction with General Electric, former General Electric Signalling activities integration and planned reinforcement of Alstom's support and IT functions to ensure continuity of activity and complete independence of the Company. On 10 November 2015, Management welcomed participants to the first Alstom EWF meeting post-closing of the General Electric – Alstom deal. Since, meetings have been organised in December 2015 and March 2016 (Plenary meetings) and February 2016 (Select Committee).

Many agreements related to salaries, working time, restructuring and profit- sharing were signed at local level with the employee representatives during 2015. The list of the agreements signed in France in 2015 is available on www.alstom.com.

Management of restructuring impacts

Date February 2011, the agreement between Alstom and the European Metalworkers' Federation (which has become IndustriAll since that date) was renewed in November 2015 to adapt to the new scope of Alstom activities. The agreement aims at safeguarding employment and accompanying the redeployment of employees. It also organises the social dialogue at European and local levels.

RELATIONS WITH **EXTERNAL STAKEHOLDERS**

RELATIONSHIPS WITH CUSTOMERS

Customer centricity: the first pillar of Alstom strategy

Alstom's is now fully focused on serving transport markets for urban and main lines mobility and transportation actors in the freight and mining sectors around the world. The Company's vision is to be the preferred partner of its customers developing innovative solutions that bring value for both parties.

For Alstom, customer centricity means:

- understand customers' challenges and expectations;
- commit and deliver on promises;
- seek customer feedback proactively;
- develop a long-term relationship of mutual trust and understanding.

This is built on:

- its regionalised and customer-focused organisation spread over 90 sites in 60 countries. This organisation set up in 2014 allows to be closer to customers to better understand and address their needs throughout all stages of their buying cycle;
- its Customer Relationship Management tool which supports common sales processes used by 1,200 people worldwide;
- initiatives where the customer-centricity value is being boosted in actions and behaviours.

Customer Satisfaction Surveys

Since 2013, Alstom has run periodic surveys to measure customer satisfaction of the way projects are executed. Alstom executes concurrently some 450 contracts as "projects" worldwide. Of these about 300 have a contract value over €15 million and fall in scope of Customer Satisfaction Surveys; about half of the 300 projects are selected to be surveyed each year. These surveys are a way to step back from day-to-day interactions with customers and to ask them to assess Alstom performance.

In the past fiscal period, 180 projects were surveyed. The average satisfaction indicator rose from 7.8 to 8.0 out of 10 compared to the previous year and remedial action plan for projects with results below 8.0 were reinforced with systematic feedback to customers.

Customer Clubs

Since 2013, five "Customer Clubs" addressing metro, PENDOLINO™ and tramway systems have gathered 146 delegates from 63 companies. Customer Clubs are worldwide forums for customers to share their professional know-how and opinions with their peers and with Alstom experts. Customer Clubs for each system type are run every 18 to 24 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. In 2015, the second meeting of the Alstom PENDOLINO™ Club took place in November in Manchester: in the course of two days, 22 customer representatives from eight PENDOLINO™ operators had the opportunity to share their ideas and experience. In 2016, the third session of the Metro Club will take place in autumn.

Customer relationship goes digital

In 2015, Alstom launched its Services Customer Portal, which provides a customised set of e-services ranging from technical expertise, alerts, e-documentation, information and a collaborative platform. It embeds Partsfolio, Alstom e-business solution for parts and repairs.

Today, 180 buyers and users from maintenance and logistics functions from 25 customer companies are regularly using Partsfolio or use the other services of Alstom Services Customer Portal.

These e-services reinforce the proximity with the customers providing better responsiveness and more collaboration during the operation and maintenance of their fleet.

More information on Service Customer Portal and Partsfolio can be found on the dedicated websites:

www.services.transport.alstom.com

www.partsfolio.transport.alstom.com

Customer relationships through industry associations and events

Beyond the day-to-day relationships with its customers, Alstom is active in a range of industry bodies on all continents through which the Company tries to address customer needs beyond specific opportunities and contracts. For example, in Kazakhstan, Alstom has gone beyond a transfer of state-of-the art technology by supporting the national Academy of Railways to train future railway engineers. Specifically, in 2015, Alstom donated to the Academy locomotive sub-systems as well as technical, repair & operation manuals. The equipment is today installed in the Academy's laboratories and regularly used in their student training courses.

Alstom is also present in many industry events such as exhibitions and conferences and meets existing and new potential customers. In these events, Alstom increasingly seeks to present and promote new technologies, products and services to customers expressing the benefits they get from using them. For example in February 2016, with Alstom's support, London Underground, won the UK Railway Industry Award for their use of HESOP™, Alstom's innovative "reversible" power supply substation.

Customer relationships' continuity following General Electric Signalling acquisition

As part of Alstom's strategic repositioning on its transport activities, the Company has acquired General Electric's railway signalling business. This acquisition brought Alstom a set of new existing and prospective customers who are rail freight and mining companies around the world. Starting in early November 2015, immediately following the acquisition, Alstom launched a "Business Continuity" task force to meet, listen and reassure these customers and ensure a seamless transition of operations and projects. This will serve to build a new value proposition to this customer base combining former General Electric and Alstom solution portfolios to respond to their requirements.

RELATIONSHIPS WITH GOVERNMENTS, INTERNATIONAL ORGANISATIONS AND THINK TANKS

Contribution to the public debate on sustainable development policies

Alstom wants to contribute to the public debate around sustainable mobility and rail transport, engaging governments and international organisations in the development of policies.

As a company with a long history and a unique portfolio of sustainable transport technologies, Alstom has the experience and expertise to help drive sustainable and low-carbon development.

The Group therefore engages in advocacy, both directly with governments, international organisations and other influencers, and through memberships in selected coalitions sharing the same vision.

The messages through which Alstom contributes to the policy debate focus on the following:

- the role of open markets and fair competition in supporting green growth, particularly through:
  - fair competition and reciprocity in public procurement,
  - removal of trade barriers for environmental-friendly goods and services,
  - consistent application of high international standards for ethics and compliance,
  - protection of intellectual property rights (IPR) as a major driver of innovation and investment in Research, Development and Deployment (RD&D);
- the need for continued investment in sustainable technologies in public and private sectors, particularly through:
  - public support and collaboration to accelerate ongoing R&D and demonstration of sustainable technologies and services,
  - public funding for the piloting and demonstration of pre-commercial technologies,
  - international financial institutions support for major infrastructure projects in developing countries,
  - financial institutions making more use of innovative instruments to leverage private investment, notably through risk-sharing, and governments that support and facilitate this;
- the importance of long-term, transparent and stable policy frameworks to support investment in sustainable development, particularly through:
  - meaningful CO_2 prices,
  - transport decarbonisation strategies including the promotion of sustainable, low-carbon transport options such as rail,
  - balanced regulation and standard-setting to support a broad portfolio of sustainable, low carbon, high-efficiency technologies,
  - evaluation of tenders in the public procurement market for transport systems based on the Most Economically Advantageous criteria, taking into account the long life-cycle of such investments,
  - effective application of the right technical standards to deploy technologies. Technical standards should ideally promote the use of best available technology (BAT),
  - consistency and mutual recognition of standards and regulation between different jurisdictions (certification & homologation) to reduce costs,
  - robust standards on energy efficiency and incentives to improve it, which play an important role in driving investment in transport technologies,
  - growing interest in improving the resilience of transport infrastructure, especially in response to climate change impacts.

The transition to a low-carbon economy is an essential element of ensuring a long-term sustainable operating environment for Alstom's businesses. It provides major opportunities for the deployment of the Group's technologies, and effective action on it is a central part of the Group's wider Corporate Social Responsibility. In line with the new global climate change agreement obtained at the Paris COP21, major economies need to make ambitious CO_2 emission reduction commitments to drive the transition to low-carbon society. Transport should become a major area of its implementation.

Participation in organisations and high-level initiatives

Convinced that the Sustainable Development goal will be reached only if all parties concerned are actively involved, Alstom participates in a number of leading bodies.

At international level

- 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 2014, Alstom became part of the World Bank's Carbon Pricing Leadership Coalition, bringing together leaders from governments, business and civil society, to help expand and improve the design and implementation of carbon-pricing policies which maintain competitiveness, create jobs, encourage innovation and deliver meaningful CO_2 emission reductions.
- Alstom has signed the sustainable development charter drawn up by the International Association of Public Transport (*Union Internationale des Transports Publics,* UITP).
- In 2015, Alstom confirmed its support to the International Union of Railways (UIC) Low Carbon Rail Transport Challenge, "a commitment to deliver railway solutions which are ever more energy efficient and attractive such as high performance electrical, diesel and hybrid trains, smart railway systems and modernisation services".
- Alstom joined the Sustainable Low Carbon Transport Partnership (SLoCaT) bringing together international players committed to sustainable mobility.
- Alstom continued to participate actively in the United Nations Framework Convention on Climate Change (UNFCCC), participating in COP21 in Paris, France, in December 2015 to show how its technologies support the transition to a low-carbon society.
- In March 2015, Alstom, together with Bombardier Transportation, Deutsche Bahn, Knorr Bremse, Nederlandse Spoorwegen and SNCF – launched Railsponsible in Utrecht, The Netherlands (see more details in next section "Relationships with suppliers and contractors").

At regional/country level

Alstom is participating in a large number of industry associations in Europe and large countries (AFEP, MEDEF, C3D, BITC, CEMEFI, etc.) which is a way to get insight from public authorities' expectations and to understand in advance the evolution of regulations.

This year, Alstom supported a number of initiatives in the rail industry. Two examples:

- in the USA, Alstom is a member of the US Business Council for Sustainable Energy (BCSE) and the US National Climate Coalition;
- Alstom UK is co-chair of Rail Supply Group, alongside Secretaries of State for Business and Transport. The group is led by the tier-one suppliers in the British rail industry, including Alstom, Siemens, Hitachi and Bombardier as well as civil contractors, consultants and other engineering firms. The group's mission is to support the development of the UK's rail supply chain – both to ensure successful delivery of domestic projects such as HS2, Crossrail and London Underground, as well as to develop a supply chain that can effectively export its expertise and products into the global rail market.

RELATIONSHIPS WITH SUPPLIERS AND CONTRACTORS

For over 10 years, Alstom has been taking account of the sustainable development issues in its purchases and making efforts to reduce social, environmental and ethical risks in its supply chain.

Representing over 60% of the turnover of Alstom, sourcing plays a strategic role that directly impacts the Company's performance. Relationships between Alstom and its suppliers and subcontractors are thus a key success factor. The sustainable sourcing approach initiated by Alstom aims particularly at making these relationships durable and continuously reinforcing their quality. The different axes of this approach are stated in the Sustainable Sourcing Policy of Alstom signed by the Sourcing Vice President of the Company and available on www.alstom.com.

Consistent with this approach of continuous improvement and collaborative relationships with its suppliers and subcontractors, Alstom has launched a number of actions related to Corporate Social Responsibility (CSR) and the associated notion of performance. In this light, since 2007, Alstom has been paying special attention to the development of the CSR performance of its suppliers and contributing to the sustainability of the railway supply chain. This allows its exposure to risks to be reduced whilst generating many innovation opportunities and facilitating change management.

Risk reduction in the supply chain

Commitment and qualification of the suppliers

Through the signature of the Sustainable Development Charter between Alstom and its suppliers and subcontractors, the suppliers of Alstom commit to respect the principles of the Universal Declaration of Human Rights of the United Nations, the fundamental conventions of the International Labour Organisation (ILO), the Guiding Principles of the Organisation for Economic Cooperation and Development (OECD), the rules of conduct of the International Chamber of Commerce (ICC) and the values set out in the Alstom's Code of Ethics.

As of 31 March 2016, more than 3,000 suppliers of Alstom have signed this Charter, among which are 2,100 suppliers who have received an order from Alstom within the last 12 months. This commitment covers more than 75% of the amount spent with referenced suppliers. In order to obtain the general approval of its suppliers, Alstom has also included conformity locally with the Charter in its general purchasing conditions.

Furthermore, in the frame of the qualification process, the audits led by the purchasing and quality managers include questions related to the Corporate Social Responsibility of the supplier.

Risk mapping

Alstom's objective is to reduce the environmental, social and ethical risks in its supply chain. It is therefore necessary to prioritise the evaluation of the CSR performance of suppliers representing a particularly high level of risk to the Company. A mapping of supplier CSR risks is performed every year according to three criteria:

- family of products;
- supplier's country;
- volume of purchases by Alstom.

The risk level for each product family and each country is defined by an external company. This mapping allows the suppliers to be prioritised.

Evaluation of the suppliers and corrective action plans

The suppliers are evaluated using questionnaires related to environmental, social and ethical criteria and their respective requirements towards their own suppliers.

Undertaken by EcoVadis, a company specialised in sustainable development evaluations, the assessments are led by a team of CSR experts which analyses the answers from the suppliers, the uploaded evidence documentation and information published on their activities. The evaluation system relies on United Nations Global Compact, the ISO 26000 standard as well as the Global Reporting Initiative guidelines.

When the evaluation results are not in line with Alstom's requirements, the suppliers are required to set up and implement an action plan to remedy the identified weaknesses. In this task, they are free to ask the fully trained Sourcing Managers of Alstom to accompany them in their improvement process.

Once the corrective action plans have been implemented, the suppliers undergo a new evaluation. In the event that a non-compliant supplier declines to put in place corrective actions or to commit to progress, Alstom may decide to break the commercial relationship.

Sectorial initiative: Railsponsible

Officially launched on 4 March 2015, Railsponsible is an initiative on railway sustainable procurement that was founded by Alstom, SNCF, Nederlandse Spoorwegen (NS), DB, Bombardier and Knorr-Bremse.

On 1 April 2016, the Vice President Sourcing of Alstom was appointed to chair the Committee of Railsponsible, succeeding his counterpart from NS.

Focused on sustainable sourcing, this initiative of the European railway industry aims at improving the sustainable development of the supply chain through a common approach and the sharing of best practices, tools and processes.

Under this framework, the members use the same supplier evaluation platform – EcoVadis – in order to measure their CSR performance. There are plenty of advantages to be derived from this initiative, for both the suppliers and the members. Once the evaluation has been carried out, a supplier may decide, on the request of one of the partner companies, to make his score visible to the rest of the members of the initiative. Through its access to the supplier evaluations that are not necessarily derived from the risk mapping, Alstom benefits from a better overview of the CSR performance of the supplier and gains time and efficiency in doing so. For more information please see www.railsponsible.org.

At the end of the fiscal year 2015/16, 338 suppliers have a valid evaluation *via* the EcoVadis platform, representing more than 37% of the total purchase volume [(1)].

Integration of best practices and continuous improvement

Change management with the buyers

Alstom works with numerous suppliers across the world. Its whole approach is supported by the Sourcing Department and is aimed at embracing sustainable development as a key element of the sourcing culture. Conscious that this dynamic needs a strong involvement of the buyers, Alstom has developed a communication and training programme adapted to the sourcing and supplier quality communities. The objective of this training is a better understanding of Alstom's sustainable sourcing, supplier evaluations requirements and their accompaniment in the setting-up of corrective action plans. To ensure broad participation in the countries where Alstom is located, the training sessions are organised both in the class-room and online. The training content is updated each year and evolves with the sustainable sourcing maturity of buyers and suppliers.

(1) According to internal instruction, suppliers CSR performance assessments are valid for three years.

Two levels of training were proposed in the fiscal year 2015/16: the complete training module dedicated to Sourcing Managers, and an introduction to sustainable sourcing delivered as short modules for buyers. As at 31 March 2016, nearly 80% of the Sourcing Managers – the priority target – have been trained. 120 buyers and members of the sourcing network have attended the introduction module.

Development of partnerships with suppliers

Alstom redesigned its strategic suppliers programme "Leading Partners" as well as its sourcing model "Identity" in order to integrate at their heart a more collaborative approach.

This is formally expressed by a programme Charter testifying the intention and good will of the Parties (Alstom and its Partners) to work together on three main axes which are business development & international expansion, industrial excellence and innovation.

The key phrase is "mutual interest". Since November 2015, 18 partners have been admitted by a multi-trade board as well as by the steering committee drawn from the top management of Alstom.

Concrete progress with respect to the objectives and the partner relationship status are reviewed yearly with each partner in order to confirm, adapt or reconsider the interest and the adhesion to the Programme.

Among the partners are companies that have an international dimension, including some major companies from the French stock market index CAC 40, and also small and medium enterprises.

Centred today on its transport activity, Alstom continuously supports a railway culture whereby all sector players share their collaboration results in order to benefit the customer and the final user.

Sourcing of sustainable products and services

Alstom has integrated, within some of its selection procedures, strong commitments to energy consumption reduction, which, if they are not reached, subject the supplier to penalties. Alstom continues its efforts by including, for example in respect of facility management, sustainable sourcing criteria in its specifications that are key elements of the award process. To support them in this approach, recommendation files explaining the sustainable development stakes and the selection criteria by product family are put at the buyers' disposal. Alstom fosters recourse to the protected sector on specific identified activities. The current perimeter notably includes printing, translations and the care of work clothes and is meant to evolve.

Alstom collaborates with partners in respect of "sustainable products" taking into account the life cycle of its solutions. The process of consultation includes ecodesign. This collaborative approach allows the selection and development of components and technologies that are more environmental friendly. For instance, Alstom has developed with Thermoking, an HVAC supplier, a reversing air conditioning system giving rise to substantial energy savings. Furthermore, as part of its continuous improvement approach, Alstom is working in close cooperation with its suppliers to identify and substitute potentially hazardous materials in line with evolution of scientific knowledge and legislation (see section "Sustainable mobility solutions").

Key indicators

	2014/15	2015/16
Number of sustainable development charters signed by the suppliers (cumulative since the chart implementation in 2007) [(1)]	2,450	3,060
Number of suppliers covered by an assessment less than three years old	259	338
Number of employees who have attended sustainable sourcing training (cumulative over three years)	67	58

(1) Not integrating the charters accounted for in the general purchasing conditions.

RELATIONSHIPS WITH LOCAL COMMUNITIES

Whilst being a global player, Alstom recognises the obligation to also act as a local player wherever it is operating. Alstom first defined its global Community Investment Policy – which is published on the Company's website in 2013. Since then, the Company has consistently applied this Policy, engaging with local stakeholders in order to implement local action plans which meet their expectations and needs.

The Community Investment Policy is focused on three priorities:

- responding to local needs;
- supporting development through education;
- supporting local economic development and industrial activities.

Responding to local social needs

Alstom wants to make a positive impact on communities that are local to where it has a presence, improving the living standards of local people through pragmatic dialogue and by encouraging employee awareness and employee involvement in various volunteer activities. Formal and informal mechanisms have been developed at different levels to coordinate these volunteering activities.

Underneath are presented a few examples of projects addressing social needs in various countries.

- In India, Alstom provided support to the Government High School at Kangeyampalayam in Sulur by having water pipes installed to bring water from a water treatment plant to the school thereby reducing water wastage and benefitting 218 children and 15 teachers.

- In Australia, since 2014 Alstom has been a partner of Children's Cancer Institute (CCI) during which time team members have visited the laboratories, raised funds through local and national initiatives and volunteered at key events. Fundraising activities have included volunteering at CCI functions, participating in fundraising activities and Alstom employees managed activities such as sport or festive events. Over AUS$25,000 have been raised to date.
- In the UK, five employees from the Holborn and Golders Green sites participated in the BITC (Business in the Community) "Give and Gain Day", which is a national day for volunteering. They took various roles at a Sports Day where approximately 220 young people, competed in six different sports. The goals of the day were to inspire young people through sport, to bring people together from the local community and to create a festival-like environment where people could experience the variety of sports available.
- In Mexico, Alstom gives its employees and their families the opportunity once a year to participate on a voluntary basis in Alstom Green Day, a one-day activity which aims at improving the living conditions of Mexico's poorest communities. The participants learn about sustainable and ecological techniques and provide physical assistance, for example, to construct organic gardens, grow orchards, install ecological stoves and restore rainwater cisterns to the benefit of 30 poor local families.

Alstom also encourages initiatives amongst its employees to raise money for local charities and often contributes to them in some way – such as through sponsorship; through its organisational ability; through the provision of food or refreshments; by allowing the use of Company property; or by giving employees the time to participate.

A few examples of charitable activities and fund-raising are as follows:

- In Singapore, Alstom participates annually in the JP Morgan Corporate Challenge, which is a 5.6 km run. 126 employees joined the Challenge in 2015. The race is part of efforts to promote fitness in the workplace, while a substantial portion of the race proceeds goes towards supporting an international children's charity – The Smile Mission – which provides free surgery for those born with facial deformities.
- In India, the Wipro Chennai Marathon is an annual event to increase awareness of the general public on health & fitness. The proceeds of the event go to local charity organisations. In 2015, nearly 150 Alstom employees participated, with the Company contributing 80% of the participation fee.
- In Hong Kong, 20 members of Alstom's team participated in the UNICEF Charity Run 2015 in order to raise funds for the fight to prevent mother-to-child transmission of HIV. The Charity Run has raised more than HK$66.5 million since 2006 to support UNICEF's HIV/AIDS prevention and treatment activities in over 150 countries.
- In USA, the United Way campaign, which runs from November to December, supports charities through employee contributions. Some Alstom sites hold additional fund raising activities. In 2015 employees donated over $50,000 to United Way.
- In Morocco, members of the Alstom football team started an initiative to raise funds to support a local orphanage NGO called *"Al Ihsane"*. This volunteerism led to a social event which gathered Alstom staff beyond the footballing fraternity.
- In Spain, Alstom Spain has been collaborating since end of 2015 with the *"Menudos Corazones"* Association in Madrid, which help babies and young people with heart problems. Money raised through a prize raffle was donated to the cause.
- In Italy, since 2014 Alstom's Bologna site has been donating the food surplus from its canteen to the Foundation *Banco Alimentare*, a non-profit organisation that works to combat food waste and hunger in the fight against poverty, which then distributes it to charitable organisations in the Bologna area. In addition, employees from the Bologna and Bari sites have entirely financed the purchase of a "refrigeration blast chiller" that keeps the food surplus at safe temperature before it is donated. 4 tons of food have already been collected since the beginning of the project.

Supporting development through education

Continuing to honour the commitment it made at the Rio+20 meeting in June 2012, Alstom promotes education among young people through three primary activities: supporting students; supporting educational institutions; and partnering with universities.

Here are some examples.

Supporting students

- In Italy, the 2015 edition of "Children in Alstom" involved 240 children in visiting five Alstom sites in Italy. In some sites there were presentations of Alstom trades while, in others, part of the entertainment was dedicated to safety.
- In India, Environment, Health and Safety Training was conducted at the Government High School in Kangeyampalayam, Sulur on the topic of "Road Safety" in 2015. About 100 children participated in the training and the associated poster competition.
- In Morocco, Alstom Morocco supports the Initiative Foundation which rehabilitates primary schools in poor neighbourhoods of Casablanca, creating a network between students of a local university and pupils of the beneficiary school for support to education. Alstom rewards the university students by offering internship opportunities. The main result is an increase in the quality of the school's facilities, allowing the pupils of this impoverished neighbourhood to develop their potential in a favourable environment.
- In Australia, six highly skilled senior tradesmen from the Alstom site in Ballarat, Victoria have teamed up with local training organisation – Ballarat Group Training – and have started a mentoring programme for apprentices from different trades to act as mentors and share their experiences. This initiative has received high recognition and positive feedback from the community.
- In the UK, Alstom joined the BITC (Business in the Community) Business Class Programme – a government-endorsed programme which supports secondary school pupils facing social disadvantage by forming long term partnerships between schools and businesses. For instance, employees of the Company participated in the BITC MOSAIC programme, providing mentoring to young girls and their mothers or to groups of teenage girls to help inspire them/give them confidence.

Supporting schools/educational establishments

- In Qatar, Alstom has partnered with INJAZ-Qatar in a programme designed to inspire and prepare young people to succeed in the work place. INJAZ Qatar is a non-profit organisation dedicated to helping youth to develop work-readiness, entrepreneurship and financial literacy skills through the "More than Money" programme. This year 13 Alstom volunteers delivered "More than Money" presentations to Grade 7 students at the American School of Doha.

- In Morocco, Alstom, as the sponsor of a Masters Programme on Integrated Urban Transport Planning at *Ponts et Chaussées* Engineering School, co-organised study trips for 120 students from this programme, arranging meetings and site visits with local partners in the Transport domain.
- In Australia, workers from Alstom's Ballarat factory used their downtime to do maintenance and safety work at two local schools and two local Uniting Care facilities. This activity led to the re-use of left over materials from previous work and continued employment for Ballarat workers despite being in a low activity phase.
- In the UK, Alstom's 38 STEM (Science, Technology, Engineering, Mathematics) Ambassadors are part of a network across the UK that work with thousands of schools, colleges and STEM employers, to enable young people of all backgrounds and abilities to meet inspiring role models, understand real world applications of STEM subjects and experience hands-on STEM activities that motivate, inspire and bring learning and career opportunities to life.

Partnerships with Universities

Alstom has a broad array of technical partnerships in place with Universities/Higher Education establishments in Europe and beyond. The objective of these is to enhance the Company's R&D capability by using local talent. A list of these partners by country can be found on the Company website.

- In Italy, in 2015, Alstom was partner of HackToscana, a Hackathon organised by the Tuscany region and Siena University. A Hackathon is a 24-hour marathon in which participants work to develop innovative business ideas. The aim of this event was to focus on the need for technological innovation for sustainability in regional transport. The ideas were presented and judged and the three winning teams were presented with prizes worth €5,000 each.
- In USA, Alstom has relationships with many local universities whereby interns or co-op students, especially those studying engineering, come to work for short periods of time at Alstom. Co-op students gain college credit while working for Alstom, whilst interns gain experience. Alstom's goal is to recruit the best of these aspiring engineers.

Supporting local economic development and industrial activities

The third axis of Alstom's Community Investment Policy is local development, which is achieved mainly:

- **through insertion programmes –** for instance, In France, Le Creusot manufacturing site is a founding member of the Employers Group for Integration and Qualification (GEIQ Industrie 71). GEIQ seeks to create pathways to employment for those facing difficulties (*e.g.* young people with no or low qualifications, the long-term unemployed, people aged over 45 years or those on the minimum wage) by promoting professional retraining and subsequent access to skilled job openings in the region. In addition, GEIQ offers social support (*e.g.* accommodation search, access of mobility, fulfillment of legal or administrative procedures, budget development, family management issues). This programme facilitates ongoing access to employment and improved employability on completion the release of the training. As part of this process, Alstom hosts each year, on apprenticeship or professionalisation contracts, a number of young people preparing for Diplomas or Bachelor qualifications. Since two years, the Company has also taken on young people through insertion contracts *("Contrats d'Avenir")* for training to become fitters (seven persons) or logistics officers (two persons);
- **through the support of innovative local institutions and companies –** as part of its open innovation paradigm, Alstom contributes to local development by participating in programmes related to technology and research, nurturing the key enabling technologies alongside other counterparts through different instruments such as competitiveness clusters. For instance:
  - Alstom supports innovative start-ups and participates in two venture capital funds which incubate start-ups working, inter alia, in the mobility domain, Aster Capital and Evertec IV,
  - in France, Alstom develops joint projects with SMEs and academics as part of the "Investments for the Future" programme. Examples of this are its involvement in Technology Research Institutes in Saclay (SystemX) and in Northern France (Railenium) and the Energy Transition Institute in Villeurbanne (SuperGrid). To develop ecosystems around innovation, Alstom is also present in numerous clusters, such as the I-Trans and Médée clusters in Northern France; the Vehicle of the Future cluster in Belfort; the Aerospace Valley cluster in Toulouse and the Systematic cluster in Paris;
- **through the support to local enterprises wherever it operates –** Alstom seeks to and to develop a local industrial footprint to serve the local market. As a multinational company, Alstom assumes a responsibility to coach and support small and medium-sized enterprises (SMEs) and start-ups at local level through mentorships and financial support. In South Africa for example, 65% of the components for the PRASA train contract are to be sourced locally. Gibela, the joint venture created to secure and deliver this huge contract, is led by Alstom and co-owned by local shareholders and has the task to secure the local supply chain. 1,500 direct jobs will be created in the new Dunottar factory and 19,000 local people are to be trained by Gibela over 10 years. The local economy will largely benefit from Alstom's transfer of technology which implies a significant amount of knowledge transfer and skills development within the local population.

More information can be found on www.alstom.com.

THE ALSTOM FOUNDATION

Created in 2007, the Alstom Foundation seeks to share Alstom's success with communities local to where Alstom has a presence, thereby enhancing the relationships with such communities whilst recognising the citizenship and engagement of Alstom's employees. Working with international and local partners, the Foundation seeks to improve the living conditions of local communities by providing finance for a variety of concrete initiatives which support economic and social development and sustainability. With its budget of €1 million per year, the Foundation has supported 133 projects to date, including the 18 projects selected in 2015/16. These projects span 49 countries across six of the world's continents. The focus is predominantly, but not exclusively, developing economies.

Projects are selected according to four main categories:

- environmental protection;
- access to water / energy;
- access to mobility;
- local and social development.

In the run up to the completion of the General Electric transaction, it was decided to keep the Foundation within the Alstom organisation. This was formalised at a meeting of the Foundation's Board of Directors, in July 2015. The Foundation Board of Directors includes eight members, five of whom are internal to Alstom and three of whom are external experts: Jean Jouzel (Nobel Laureate; Climatologist and member of the Intergovernmental Panel on Climate Change); Jean-Michel Severino (former Director General of the *Agence Française de Développement*); and Bernard Emsellem (Vice-President of the SNCF Foundation).

22 projects were active in April 2015; of these, at the end of financial year, 13 remain active and 9 new additional projects have already been launched.

At its meeting in January 2016, the Board of Directors selected the following 18 projects for support from the 2015/16 budget, presented below by category. Several projects span more than one category.

Environmental Protection

The four projects in this category are aimed at fostering collective awareness on the importance of nature preservation and facilitating environmental protection at the local community level through sustainable daily activities:

- energy efficiency and halting the deforestation of Cambodian forests by enabling local farmers and food producers to switch to Multi Energy Stoves that are energy efficient and largely based on renewable fuel supply;
- enabling a community of poor women in Mexico to preserve the Melipona bees that will not only help to restore the ecosystem balance of the Central American jungles but also produce high quality honey supporting local livelihoods;
- engaging 400 Mexican coffee farmers in reforestation activities to revive degraded pastureland by planting 45,000 trees and advancing more sustainable coffee production;
- establishing environmental committees and improving gardens at six schools in the Tangier region of Morocco to impact environmental education.

Access to Water/Energy

There are four projects under this category that seek to provide access to either water or energy or both for local communities in some of the most remote regions of the world:

- equipping wells with solar power equipment to implement a drip irrigation system that will enable efficient farming and help rural women in Senegal realise the full potential of their farms;
- installation of solar panels in a school in Peru to promote a switch to renewable energy and construction of a pedagogical greenhouse to enhance the quality of nutrition among children;
- installation of solar cells to provide energy and rain water harvesting cisterns to preserve water, imparting training to make fuel efficient stoves and construction of dry composting toilets to improve the lives of 20 families in Oaxaca region of Mexico;
- provision of rainwater harvesting systems, tanks and solar energy systems to benefit four schools and two communities in the rural region of Rivadavia in Argentina.

Access to Mobility

One project has been selected under this category to promote eco-tourism among tourists travelling to the Alps in France. It is a project designed to promote mountain trekking whilst encouraging the use of the public transport instead of private cars to contribute to reduce pollution in the mountains and offers alternative options to access trekking areas.

Social and Economic Development

The projects under this category are focused on supporting social and/or economic development among local communities spanning four regions of the world:

- imparting skills and training to a group of 20 women in Belgaum village in India to produce hand crafted bags from jute that are to be sold primarily as school bags in rural schools, thereby offering a route to permanent employment;
- providing support to build 126 resilient permanent shelters with water, sanitation and hygiene along with complementary livelihood support for 30 households in the typhoon-affected East Samar region of Philippines;
- providing technical training on agriculture and nutrition in targeted households in Son La, Vietnam as a third year continuation of the "Improved Household Food Security and Nutrition" project;
- creating multi-activity companies to train and engage long term unemployed people in France;

- initiating a flood risk management plan by encouraging crop diversification using a sustainable agro-ecological model to help small rice producers in the Inundaule region of Ecuador recover from floods;
- rehabilitation of school infrastructure and provision of basic sanitary and general facilities to meet the minimum Environment, Health and Safety standards in the *El Reino de los Paises Bajos* school in Panama;
- construction of two green communal spaces in Los Jazmines, Peru by community women through imparting training, social and psychological support and a salary to make them independent;
- refurbishing and designing a sustainable agro-production centre to provide food for local school children and modernising an existing hydro-turbine to improve the energy supply for the local community of Kamarata, Venezuela;
- construction of a health centre with observation beds and renovation of a maternity ward, both furnished with the required technical equipment and furniture, in the isolated village of Bassar, Senegal.

More information about the Alstom Foundation and its projects can be found on the Foundation's website: www.foundation.alstom.com.

METHODOLOGY

Introduction

The content of this chapter dedicated to Sustainable Development and Alstom's Corporate Social Responsibility (CSR) has been prepared by the Sustainable Development and CSR central team of Alstom with the collaboration of many support functions such as Sourcing, Human Resources, Risk Control, Ethics & Compliance, Environment Health & Safety (EHS), Ecodesign, Innovation, country representatives and Product platforms.

The information collection and consolidation were conducted along with a dedicated process between January and April 2016. The whole chapter has been reviewed by PricewaterhouseCoopers as an independent third party in regard to Article 225 of the French Grenelle II law.

Reporting principles

All the data reported (indicators) are coming from different Alstom internal reporting systems, detailed in the respective sub-sections.

These indicators definitions refer to the "Global Reporting Initiative" (GRI). However, some indicators are not yet available on a consolidated basis or have been considered irrelevant for Alstom reporting. In such cases, they are not mentioned or are limited in scope, which is then specified.

A synthesis of indicators/key figures is available in a dedicated section at the end of this chapter; it includes information as per Article L. 225-102-1 of the French Commercial Code and the decree and order – as well as per the Decree No. 2012-557 dated 24 April 2012 related to the obligation of companies' transparency in environmental and social matters.

The activities disposed to General Electric in 2015, including those not yet effectively transferred but which will not ultimately remain in the Group, are not consolidated in the environmental performance or in the social results. Only data related to the railway activities of Alstom are presented.

Environmental performance and health and safety results

Data covering those topics are gathered within the reporting and consolidation system so-called "Teranga" which is also used for financial reporting.

On this scope, the safety and health results cover nearly 100% of Alstom employees and contractors working for Alstom. As far as environmental performance is concerned, all production sites, all depots operated and managed by Alstom in the context of a contract duration of five years or more, all permanent offices occupied and managed by Alstom and all permanent sites of more than 200 persons are consolidated in the environmental reporting. Due to significantly different possible configurations and partnerships in projects, the environmental performance of temporary construction sites is not consolidated, as is the case for the environmental performance of activities of less than 200 persons conducted in sites on which utilities are not managed by Alstom. Environmental results cover more than 75% of Alstom employees.

Newly acquired activities start to report after a full calendar month of presence in the Group for safety results and after a full calendar quarter of presence for environmental results.

On health and safety, the reporting is done monthly from around 180 elementary reporting units with nine basic indicators. On environment, the reporting is done quarterly from around 70 reporting units with 30 basic indicators. Monthly and quarterly reporting are complemented by a yearly reporting campaign with 13 additional indicators.

The definition of indicators is described in a Group document, the EHS reporting manual, which is complemented by a reporting procedure. The process is under the responsibility of the EHS Vice President.

Except when specified differently, health and safety data are presented over the fiscal year, *i.e.* from April 2015 to March 2016, while environmental data are consolidated over the calendar year, *i.e.* from January to December 2015.

Social report and actions on local communities

The sources for social reporting indicators are:

- the Alstom Human Resources Information System (HRIS), which is based on Success Factor and operates at all Alstom facilities;
- a social survey conducted in 21 countries on the figures of calendar year 2015 – Algeria, Australia, Belgium, Brazil, Chile, China, Egypt, France, Germany, Israel, India, Italy, Mexico, Netherlands, Poland, Romania, Singapore, Spain, Sweden, United Kingdom (UK) and United States of America (USA) –, representing 93% of Alstom's workforce. In the case of Absenteeism, India has been excluded from consolidated totals due to incomplete data, but the coverage remains sufficiently high for this indicator.

In addition, and in order to illustrate the different sections with local initiatives, the following actions are conducted by the CSR central team:

- a "best practice" survey conducted worldwide with the support of Country Presidents and Sustainability network;
- a survey among the Product platforms regarding achievements of the year and ongoing developments;
- a collection of all news related to CSR, published internally through our internal communication tools and externally through press releases.

SYNTHESIS OF INDICATORS/KEY FIGURES 2015/16

Indicators	2014/15	2015/16	GRI [2] reference	Page
ENVIRONMENTAL INDICATORS				
Energy				
Energy consumption from natural gas [*] *(in GWh)*	242 [1]	245	EN3	222
Energy consumption from butane/propane and other gases [*] *(in GWh)*	7	7	EN3	222
Energy consumption from domestic fuel [*] [1] *(in GWh)*	10	10	EN3	222
Energy consumption from imported steam and heat [*] *(in GWh)*	30	35	EN3	222
Energy consumption from electricity [*] *(in GWh)*	180	175	EN3	222
Energy consumption from coal, heavy fuels and other fuels [*] *(in GWh)*	0	0	EN3	222
Total energy consumption [*] *(in GWh)*	469	472	EN3	222
Energy intensity [*] *(in kWh/hours worked)*	11.8	11.5	EN5	221
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption [*] *(in kilotons CO_2 eq)*	53 [1]	54	EN15	222
Indirect CO_2 emissions from steam, heat and electricity consumption [*] *(in kilotons CO2 eq)*	70 [1]	69	EN16	222
Total CO_2 emissions from energy consumption [*] *(in kilotons CO_2 eq)*	123	123	EN15-16	222
Other direct CO_2 emissions from HFC [*] *(in kilotons CO_2 eq.)*	1	1	EN17	222
Total CO_2 emissions from energy consumption and other direct emissions [*] *(in kilotons CO_2 eq)*	124	124	EN15-16-17	222
GHG emissions intensity [*] *(in kilotons CO_2 eq / hours worked)*	3.1	3.0	EN18	222
CO2 emissions from air travels [*] *(in kilotons CO_2 eq.)*	20 [1]	24	EN17	223
CO2 emissions from train travels [*] *(in kilotons CO_2 eq.)*	1	1	EN17	223
Company cars CO_2 emissions from gasoline [*] *(in kilotons CO_2 eq)*	1	1	EN15	223
Company cars CO_2 emissions from diesel oil [*] *(in kilotons CO_2 eq)*	5	5	EN15	223
Water				
Water consumption from public network [*] *(in thousands of m^3)*	633 [1]	590	EN8	224
Water consumption pumped from groundwater [*] *(in thousands of m^3)*	238 [1]	228	EN8	224
Water consumption pumped from surface water [*] *(in thousands of m^3)*	0	0	EN8	224
Total water consumption [*] *(in thousands of m^3)*	871	818	EN8	224
Airborne Emissions				
Non-methane Volatile Organic Compounds (VOCs) emissions [*] *(in tons)*	146 [1]	150	EN21	224
Waste management				
Total hazardous waste production [*] *(in tons)*	2,658	4,236	EN23	226
Recovered hazardous waste [*] *(in tons)*	1,635	1,790	EN23	226
Total non-hazardous waste production [*] *(in tons)*	27,710 [1]	28,860	EN23	226
Recovered non hazardous waste [*] *(in tons)*	23,656	25,420	EN23	226
Total waste production [*] *(in tons)*	30,368	33,096	EN23	226
Percentage of recovered waste [*] *(in %)*	83	82	EN23	225
Waste intensity [*] *(in kg/hours worked)*	0.76	0.85	EN23	225
Biodiversity				
Proportion of manufacturing sites with over 200 employees not operating within legally protected areas and / or priority sites for biodiversity [*] *(in %)*	-	92	EN11	227
Management system				
Proportion of manufacturing sites of more than 200 employees certified ISO 14001 *(in %)*	100	100	Non-GRI	221

Indicators	2014/15	2015/16	GRI (2) reference	Page
SOCIAL INDICATORS				
Occupational Health and Safety				
Number of fatalities at work *(Alstom employees and contractors)*	0	0	LA6	229
Number of travel fatalities *(Alstom employees)*	Not recorded	2	LA6	229
Number of occupational severe accidents *(incl. fatal accidents)*	8 (1)	6	LA6	229
Lost time injury frequency rate 1 (IFR 1) (employees and contractors)	1.9 (1)	1.8	LA6	228
Number of persons ("trainees") having received a class-room EHS training during calendar year (*)	3,960	3,670	LA9	230
Proportion of employees trained to e-learning module on High Risk *Activities* (*) *(in %)*	82	86	LA9	230
Number of *Alstom Zero Deviation Plan* official evaluations during fiscal year	46	61	Non-GRI	229
Number of recognised occupational diseases (in Europe) (*)	22	17	LA6	230
Ratio of employees covered by a life insurance in case of accidental death (*) *(in %)*	98.0 (1)	98.6	LA2	231
Ratio of employees covered by a life insurance giving one year salary (*) *(in %)*	83.2 (1)	83.9	LA2	231
Workforce and organisation				
Total workforce by type of contract			LA1	232
• Permanent contracts	25,848	28,722		
• Fixed-term contracts	1,695	1,628		
• Interns	564	620		
Total employees	28,107	30,970	LA1	232
Distribution of employees by Region (employees) *(in %)*			LA1	232
• Middle East / Africa	5.0	5.5		
• Asia / Pacific	8.2	10.2		
• Europe	73.0	68.6		
• Americas	13.8	15.6		
Distribution of employees by category (employees)			LA1	232
• Managers and professionals *(in %)*	44.7	46.6		
• Other employees *(in %)*	55.3	53.4		
Employees' movements during fiscal year (employees)			LA1	232
• Hiring on permanent contracts	2,442	3,228		
• Hiring on fixed-term contracts	969	997		
• Resignations	776	852		
• Redundancies	359	173		
• Dismissals *(permanent headcount)*	449	458		
• Other departures (incl. retirements, excl. acquisitions/disposals)	1,064	1,802		
Recruitment by region (permanent contracts) *(in %)*			LA1	233
• Middle East / Africa	-	12		
• Asia / Pacific	-	27		
• Europe	-	33		
• Americas	-	28		
Resignation rate for employees on permanent contracts by Region *(in %)*	3.0	3.2	LA1	236
• Europe + Middle East / Africa	2.2	2.2		
• Asia / Pacific	10.8	8.9		
• Americas	3.9	4.8		
Absenteeism rate (*) *(in %)*	Not recorded	3.1	LA6	236

Indicators	2014/15	2015/16	GRI (2) reference	Page
Competencies and carriers				
Number of annual performance interviews (managers & professionals)	12,500 (1)	13,500	LA11	238
Proportion of employees trained (*) *(in %)*	81 (1)	68	LA9	239
Average training hours per employee (*) *(in hours/employee)*	17 (1)	14	LA9	239
Total number of training hours (*) *(in hours)*	431,066 (1)	388,897	LA9	239
Diversity and equal opportunity				
Proportion of women in the workforce *(in %)*	15.4*	16.9	LA12	240
Proportion of female managers or engineers *(in %)*	18.6*	19.9	LA12	240
Proportion of executive women *(in %)*	12.6*	13.1	LA12	240
Proportion of women trained (*) *(in %)*	14.0*	15.7	LA12	240
Proportion of employees with disabilities (*) *(in %)*	2.8	2.6	LA12	241
Proportion of employees aged over 45 years	-	40	LA12	242
Sustainable sourcing				
Number of sustainable development charters signed by the suppliers *(cumulative since the chart implementation in 2007)*	2,450	3,060	Non-GRI	247
Number of suppliers covered by an assessment less than three years old	259	338	Non-GRI	247
Number of employees who have attended sustainable sourcing trainings *(cumulative over three years)*	67	58	Non-GRI	247
Labour/Management relations				
Proportion of employees covered by a collective bargaining agreement (*) *(in %)*	67 (2)	76	Non-GRI	242
Ethics				
Proportion of employees who have received training on ethics *(in %)*	-	75	SO4	234

(*) Indicators reported for calendar years 2014 and 2015.
(1) Reference year modified.
(2) Data including Alstom Energy and Transport activities.

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED ENVIRONMENTAL, LABOUR AND SOCIAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

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

For the year ended March 31, 2016

To the Shareholders,

In our capacity as Statutory Auditor of Alstom, appointed as an independent third party and certified by COFRAC under number 3-1060 (1), we hereby report to you our report on the consolidated human resources, environmental and social information for the year ended 31 March 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code *(Code de commerce).*

Company's responsibility

The Board of Directors is responsible for preparing a Company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the "Environment, Health and Safety Reporting Manual" used by the Group's sites as well as Human Resources standards "Census Rules" and "Social Survey" used by the Company (hereinafter the "Guidelines"), available on request to the CSR direction of the Company.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics *(Code de déontologie)* of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor(s)'s responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 10 persons and was conducted between October 2015 and April 2016 during a 30 week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000 (2) concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant Departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

(1) Whose scope is available at www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

We verified that the CSR Information covers the scope of consolidation, *i.e.,* the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the methodology section of chapter 6 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted more than one hundred interviews with the persons responsible for preparing the CSR Information in the Departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important (given in appendix):

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us [(3)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 23% of headcount and between 25% and 43% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part taking into consideration, if any, industry best practices.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 11 May 2016
One of the Statutory Auditors
PricewaterhouseCoopers Audit

Édouard Demarcq
Partner

Sylvain Lambert
Partner in charge of the Sustainable Development Department

(3) Alger, Sétif and Mostaganem in Algeria, Lapa and Taubaté in Brazil, Belfort, La Rochelle and Le Creusot in France, Sri City and Chennai in India, Bologna, Bari and Savigliano in Italy, Pantelimon, Uzina and Vintusimeria in Romania, Singapore, Hong-Kong, Cerro Negra, La Sagra and Santa Perpetua in Spain, Grainvalley and Warrensburg in the United States.

Appendix: List of information that we have considered to be the most important

Human resources information:

- Total number and breakdown of employees by gender, age and geography, indicators total workforce at the end of March 2016, breakdown by category, breakdown by gender and breakdown by region.
- Hirings and dismissals, indicators number of hires, number of resignations and number of dismissals.
- Organisation of social dialogue, including procedures for information, consultation and negotiation with employees, indicator percentage of employees covered by a collective bargaining agreement.
- Absenteeism, indicator absenteeism rate.
- Health and safety work conditions.
- Occupational accidents, including frequency and severity, and occupational diseases, indicators number of fatalities at work (Alstom employees and contractors), number of occupational severe accidents and lost time injury frequency rate (employees and contractors).
- Total number of training hours, indicators total number of training hours and average number of training hours per employee.
- Measures taken in favor of equality between women and men, indicator proportion of women, proportion of women managers, proportion of women executive officers.
- Respect for freedom of association and rights for collective bargaining.

Environmental information:

- Company organisation to take into account environmental issues and if relevant, environmental evaluation and certification process.
- Amount of provisions and guarantees for environmental-related risks, unless such information is liable to cause serious harm to the Company in an ongoing dispute.
- Measures to prevent, reduce or compensate discharges in the air, water and soil causing important damage to the environment, indicator VOC (4) emissions.
- Measures to prevent, recycle and eliminate waste, indicators hazardous and non-hazardous waste production, share of hazardous and non-hazardous waste recovered.
- Water consumption and water supply regarding local constraints, indicators consumption of water from public water supply, surface water and groundwater.
- Energy consumption and measures taken to improve energy efficiency and renewable energy use, indicators consumptions of natural gas, butane/propane and other gas, domestic fuel, steam/heat, electricity, coal, heavy fuels and other fuels.
- Greenhouse gas (GHG) emissions, indicators direct and indirect CO_2 emissions from energy consumption and other direct CO_2 fugitive emissions from HFC, CO_2 emissions related to business travels.

Social information:

- Territorial, economic and social impact of the Company in terms of employment and regional development.
- Consideration of social and environmental issues in the Company's procurement policy
- Importance of subcontracting and inclusion in the relationships with suppliers and subcontractors of their social and environmental responsibility, indicators number of suppliers evaluated, signature of the Sustainability Charter by all suppliers.
- Actions carried out to prevent corruption.

(4) Non methane Volatile Organic Compounds.

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			Pages of the Registration Document
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(*) Not applicable.

ADDITIONAL INFORMATION

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

INFORMATION ON THE GROUP AND THE HOLDING COMPANY

HISTORICAL INFORMATION

The Group was created in 1989, when the parent company GEC ALSTHOM NV was incorporated as a holding company under the laws of The Netherlands, by The General Electric Company plc ("GEC") and Alcatel, its 50-50 shareholders, in order to consolidate in one single group the businesses until then carried out by certain of their respective subsidiaries. This joint venture, carried out during a time of consolidation in the energy sector, aimed at benefiting from certain complementary products and markets of Alcatel and GEC respectively.

At the end of 1997, the two shareholders decided to list the Company on the Paris, New York and London Stock Exchanges and to put part of their shares on the market. They chose Paris as the main listing exchange and they decided to transfer to a French public limited company *(société anonyme)*, renamed ALSTOM (previously Jotelec), the whole of the activities until then carried out by GEC ALSTHOM NV. Before the IPO and listing on the Stock Exchange of ALSTOM (or the "Company"), almost all of the assets directly or indirectly held by GEC ALSTHOM NV were transferred to one of its French subsidiaries, ALSTOM France SA, 100% owned by ALSTOM. This company, since then renamed ALSTOM Holdings, is the sub-holding of the Group, which owns the operational subsidiaries of the Group (see below "Simplified organisation chart of the Group at 31 March 2016").

Since the listing of ALSTOM in 1998, the Group's scope has deeply changed. One of the most significant operations was the acquisition of ABB power generation activities in two phases: first, in July 1999, a joint venture was set up and then in May 2000, Alstom bought ABB's share in the above-mentioned joint venture. At the same time, 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 had been organised in four Sectors since July 2011: Thermal Power, Renewable Power, Grid and Transport.

On 4 November 2014, the Board of Directors of ALSTOM approved the signing of an agreement with General Electric to sell Alstom's Energy businesses, namely Power (electricity generation) and Grid, as well as shared and central services of Alstom. This transaction was accompanied by the reinvestment of part of the sale proceeds in three joint-ventures to be created with General Electric in the nuclear (20% minus one share), grid (50% minus one share) and renewables activities (50% minus one share). Alstom has acquired General Electric's Signalling business and has concluded a global alliance in the rail sector.

The transaction was completed on 2 November 2015 after the finalisation of carve-out operations of the Energy businesses and the receipt of the competition and regulatory authorisations.

Alstom has, for each of these joint-ventures, a put option (exercisable in September 2018 or in September 2019 for the Grid and Renewable joint ventures, and during the first quarter of years 2021 and 2022 for the nuclear joint venture) at a price based on a formula related to results, provided such price shall not be lower than that of Alstom's acquisition of the joint venture shares plus 2% or 3% per year, as applicable, from the closing of the sale of the Energy businesses to General Electric.

IDENTITY OF THE COMPANY

Company name and registered office

ALSTOM
48, rue Albert-Dhalenne, 93400 Saint-Ouen
Tel.: 01 57 06 90 00

Legal form

Limited liability company (French *"société anonyme à Conseil d'administration"*) incorporated under the laws of France and regulated notably by the French Commercial Code.

Duration

Alstom was incorporated under the name "Jotelec" on 17 November 1992 and its existence will expire on 17 November 2091, unless it is earlier dissolved or its life is extended.

Registration number

389 058 447 RCS Bobigny.

Code APE

66 19 A.

SUMMARY OF KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION

Purpose of the Company

(Extract of Article 3 of the Articles of Association)

The purposes of ALSTOM are directly or indirectly:

- the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields:
  - energy,
  - transmission and distribution of energy,
  - transport,
  - industrial equipment,
  - naval construction and repair work,
  - engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction, and
  - more generally, activities related or incidental to the above;
- participation, by every means, directly or indirectly, in any operations which may be associated with its purpose, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise, the creation, acquisition, lease or takeover of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents relating to such activities; and
- generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with Alstom purposes or with any similar or related.

Furthermore, ALSTOM may acquire an interest, of whatever form, in any French or foreign business or organisation.

Fiscal year

(Article 19 of the Articles of Association)

The financial year starts on 1 April and ends on 31 March.

Shareholders' Meetings

(Article 15 of the Articles of Association)

Convening and proceedings – agenda

Ordinary and Extraordinary General Meetings, satisfying the legal conditions for quorum and majority voting, exercise the powers respectively attributed to them by the law. They are convened in accordance with the rules and the terms laid down by law.

Meetings are held at the registered office of Alstom or at any other place determined by the Board, either within the *"département"* in which the registered office is located or in any other French territory.

The agenda of the meeting is drawn up by the Board of Directors if the Board has called the meeting and, if not, by the person calling the meeting. However, one or more shareholders satisfying the conditions laid down by law may request the inclusion of draft resolutions on the agenda. Questions not appearing on the agenda may not be considered.

Admission and representation

Ordinary and Extraordinary General Meetings are made up of all shareholders without distinction between the class of shares which they hold.

In all Shareholders' Meetings, shareholders are only entitled to exercise their right to vote if their shares have been recorded in the accounts in the name of the shareholder or the intermediary registered for its account pursuant to the legal and regulatory provisions on the second business day [(1)] preceding the date of the Shareholders' Meeting at midnight, Paris time, either in the accounts of registered securities held by the Company for registered shares, or in the accounts of bearer securities held by an intermediary authorised for bearer shares. This record is officially acknowledged in accordance with the terms laid down by law.

Shareholders may vote by proxy or by correspondence at General Meetings under the conditions laid down by law.

In order to be taken into account, the voting forms and proxies must be received by the Company at least two days prior to the Meeting, unless a shorter term is decided by the Board of Directors or is stipulated by law.

Pursuant to the Board of Directors' decision, communicated by way of notice of meeting and/or the convocation to the meeting, any shareholder may vote at a Shareholders' Meeting, by proxy or by correspondence *via* any electronic means of telecommunication in accordance with the conditions set by law. In these cases, forms for voting at a distance or by proxy, as well as participation certificates, can be completed by way of a duly signed electronic medium under the conditions set forth by the applicable legal and regulatory provisions.

To this end, completing and electronically signing the form can be done directly on the Internet site created by the centralizing agent of the Shareholders' Meeting. The electronic signature of the form can be carried out (i) by entering an identification code and password, under the conditions that comply with the provisions of the first sentence of the second paragraph of Article 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.

However, in compliance with the 7th paragraph of Article L. 228-1 of the *Code de commerce,* the owners of the securities may be represented by a registered intermediary, in the conditions set down by Law.

Any shareholder having voted at a distance, or sent a proxy or requested his or her admission card or an attendance certificate, may at any time sell all or some of his or her shares pursuant to which he or she transmitted his or her vote or proxy or requested one of these documents. Any sale shall be taken into account in the conditions laid down by law.

(1) Article R. 225-85 of the French Commercial Code resulting from a decree dated 8 December 2014, amended the deadline applicable to the record dates for Shareholders' Meetings of listed companies from three business days before the meeting to two business days before the meeting. This is a public mandatory provision.

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.

Upon the law "aimed at recapturing the real economy", known as "Florange" Act, enacted in France on 29 March 2014, double voting rights will be fully allocated to shareholders holding registered shares for at least two years in a listed company, unless stated otherwise in a provision of the Articles of Association of the Company adopted after the entry in force of the new law. Given the accounting period which started on 1 April 2014 and in the absence of a contrary provision in the Articles of Association, double voting rights are automatically applied from 31 March 2016. It is reminded that the Ordinary and Extraordinary Shareholders' Meeting, convened on 1 July 2014, voted against the 20th resolution, which proposed to introduce in the ALSTOM's Articles of Association a new provision in order to maintain single voting rights.

Notification of holdings exceeding certain percentages

(Extract of Article 7 of the Articles of Association)

In addition to the legal obligation to notify the Company of certain shareholding levels or voting rights, any individual or legal entity who holds directly or indirectly, alone or in concert pursuant to articles L. 233-10 *et seq.* of the *Code de commerce* a number of shares in the Company giving a shareholding equal to or in excess of 0.5% of the total number of shares or voting rights issued must notify the Company by recorded letter with proof of receipt within five trading days of this threshold being exceeded. Notification is to be repeated under the same conditions whenever a new threshold of a multiple of 0.5% of the total number of shares or voting rights is exceeded, up to and including threshold of 50%.

To determine these thresholds, shares assimilated to the shares owned as defined by the legislative and regulatory provisions of article L. 233-7 *et seq.* of the *Code de commerce,* will be taken into account.

In each of the above-mentioned notifications, the declaring person must certify that the notification includes all stock held or owned in the sense of the preceding paragraph. Such notification must also state: the declarer's identity as well as that of individuals or legal entities acting in concert with him, the total number of shares or voting rights that he holds directly or indirectly, alone or in concert, the date and the source of exceeding the threshold, as well as if needs be the information mentioned in the third paragraph I of article L. 233-7 of the *Code de commerce.*

Any shareholder whose participation in the shareholding or in voting rights falls below one of the above-mentioned thresholds is also required to notify the Company within the same length of time of five trading days and by the same means.

In the event of non-observance of the above provisions and in accordance with the conditions and levels laid down by law, the shareholder shall lose the voting rights relating to the shares in excess of the thresholds which should have been notified, if one or more shareholders holding at least 3% of the share capital or voting rights so requires.

Identification of holders of bearer shares

(Extract of Article 7 of the Articles of Association)

The Company may, under the conditions laid down by the legal provisions in force, request any officially authorised organisation or intermediary to pass on all information concerning its shareholders or holders of its stock conferring an immediate or subsequent right to vote, their identity and the number of shares that they hold.

Appropriation of income

(Extract of Article 21 of the Articles of Association)

The profits for fiscal year consist of the revenues relating to the preceding fiscal year, less overhead and other Company expenditure including provisions and depreciation allowances. At least 5% is set aside from the profits less any previous losses if appropriate to form the legal reserve fund. This provision ceases to be mandatory once the value of the fund reaches one-tenth of the share capital.

The remainder (less the above deductions) of the retained earnings and withdrawals from the reserves which the General Meeting has at its disposal shall, if the General Meeting so desires, be distributed among the shares, once the sums carried forward by the said Meeting or transferred by it to one or more reserve funds have been deducted.

After the General Meeting has approved the accounts, any losses are carried forward and imputed to the profits of future fiscal years until they are discharged.

Each shareholder may be granted, at the General Meeting, for all or part of the dividend or interim dividend to be distributed, an option to be paid the dividend or interim dividends in cash or in shares of 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. The gross value of land and buildings fully owned and leased under financial leases as of 31 March 2016 is €1,817 million.

The depreciation booked for the above is €1,162 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
Australia	Ballarat
Belgium	Charleroi
Brazil	Sao Paolo
	Taubate
Canada	Sorel-Tracy *(Lease)*
France	Aytré – La Rochelle
	Belfort
	Le Creusot
	Ornans
	Petit-Quevilly *(Lease)*
	Reichshoffen
	Saint-Ouen *(Lease)*
	Tarbes
	Valenciennes
	Villeurbanne *(Lease)*
Germany	Braunschweig *(Lease)*
	Salzgitter
	Stendal
India	Bangalore *(Lease)*
	Chennai – SriCity
	Coimbatore *(Lease)*
Italy	Bologna *(Lease)*
	Florence *(Lease)*
	Nola
	Savigliano
	Sesto *(Lease)*
Morocco	Fes
Poland	Katowice
Spain	Barcelona
Sweden	Motala
Switzerland	Neuhausen *(Lease)*
United Kingdom	Preston *(Lease)*
	Radlett *(Lease)*
USA	Hornell (NY)
	Rochester (NY) *(Lease)*
	Grain Valley (MI)
	Warrensburg (MI)
	Melbourne (FL)

AGREEMENTS CONCLUDED BY EXECUTIVE OFFICERS OR MAJOR SHAREHOLDERS OF THE COMPANY WITH A COMPANY'S SUBSIDIARY

(Information as per paragraph 13 of Article L. 225-102-1 of the French Commercial Code)

None.

MATERIAL CONTRACTS

Alstom signed during fiscal year a set of agreements relating to the closing of the transaction with General Electric (see in particular section "Management report on the consolidated financial statements fiscal year 2015/16 – Main events of fiscal year 2015/16"). Furthermore, Alstom signed in December 2014 an important agreement with the US Department of Justice (DOJ) (see in particular section "Management report on the consolidated financial statements fiscal year 2015/16 – Main events of fiscal year 2015/16").

The main acquisitions, disposals, partnerships, joint ventures and changes in scope of consolidation are identified in Note 1 and in Note 4 of the consolidated financial statements as of 31 March 2016, in section "Management report on consolidated financial statements fiscal year 2015/16 – Main events of fiscal year 2015/16" and in section below "Details on shareholdings taken during fiscal years 2014/15 and 2015/16".

DETAILS ON SHAREHOLDINGS TAKEN DURING FISCAL YEARS 2014/15 AND 2015/16

(Section including information as per Article L. 233-6 of the French Commercial Code)

Fiscal year 2014/15

No equity investments on companies included in the ALSTOM perimeter on 31 March 2016.

Fiscal year 2015/16

The equity investments described here below reflect those which are in the ALSTOM perimeter on 31 March 2016.

On 27 May 2015, ALSTOM Transport UK (Holdings) Ltd acquired from Balfour Beatty Group Ltd 50% of SSL (Signalling Solution Ltd) shares, company in which ALSTOM Transport UK (Holdings) Ltd had already 50%. SSL provides management solutions, sale, delivery and maintenance of train control solutions.

On 2 November 2015, in connection with closing of the transaction with General Electric, Alstom has invested in three joint ventures in the Nuclear (20% minus one share), Grid (50% minus one share) and Renewables activities (50% minus one share). Alstom acquired General Electric's signalling business, inter alia GE Transportation (renamed Alstom Transportation France).

On 15 December 2015, ALSTOM Transport SA and the *Agence de l'environnement et de la maîtrise de l'énergie* (ADEME) created a Joint Venture called SpeedInnov held at 69% by Alstom Transport SA and at 31% by ADEME. SpeedInov is specialized in project management, the development of high-speed train technology of the future, the development of associated intellectual property and financing needs for related innovation activities.

On 29 December 2015, ALSTOM Holdings acquired from JSC RZhD (Joint Stock Company Russian Railways) 8.33% of the shares of a Dutch company called The Breakers Investments BV (company which is fully owned by the Russian company JSC Transmashholding) specialized in the development, manufacture and sale of components and railway rolling stock. ALSTOM Holdings owns now 33.34% of the company The Breakers Investments BV.

On 8 February 2016, ALSTOM Transport Holdings BV acquired from JSC Remlokomotiv 25% of the capital of a kazakh company called EKZ LLP (Electrovoz Kurastyru Zauyty LLP), specialized in the development, manufacture, sale and maintenance of components and railway rolling stock. ALSTOM Transport Holdings BV holds now 50% of Electrovoz Kurastyru Zauyty LLP.

See also section "Management report on the consolidated financial statements – year 2015/16 – Main events of fiscal year 2015/16."

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 10 May 2016, date of closing of the latest published statutory and consolidated accounts.

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 10 May 2016.

Agencies	May 2015	May 2016
Moody's Investors Services		
Short-term rating	P-3	P-3
Long-term rating (1)	Baa3 (outlook positive)	Baa3 (outlook positive)
Standard & Poor's		
Short-term rating	A-3	A-3
Long-term rating (2)	BBB- (outlook negative)	BBB- (outlook negative)

(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 and then from negative to positive on 25 June 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, and then revised the long-term outlook from stable to negative on 23 December 2014.

INFORMATION ON THE SHARE CAPITAL

As of 31 March 2016, ALSTOM's share capital amounted to €1,533,889,308 consisting of 219,127,044 shares of the same class and fully paid with a nominal value of €7 per share, following the operations completed during fiscal year 2015/16, which are detailed in the table page 271 in section "Changes in share capital" below, including the one which occurred on 28 January 2016 when the buyback of 91,500,000 shares of the Company's shares from its shareholders by means of a share repurchase tender offer aiming at cancelling the repurchased shares was materialized, and which has reduced the share capital by €640,500,000 to €1,533,887,579 consisting of 219,126,797 shares of the same class and fully paid with a nominal value of €7 per share ("OPRA").

As of 10 May 2016, the share capital amounted to €1,533,889,525 divided into 219,127,075 shares of €7 par value each, resulting from the issuance of 106,635 new shares since 31 March 2016, 31 new shares following the exercise, bonds reimbursable in Company's shares («ORA»).

Upon the law "aimed at recapturing the real economy", known as "Florange" Act, enacted in France on 29 March 2014, double voting rights will be fully allocated to shareholders holding registered shares for at least two years in a listed company, unless stated otherwise in a provision of the Articles of Association of the Company adopted after the entry in force of the new law. Given the accounting period which started on 1 April 2014 and in the absence of a contrary provision in the Articles of Association, double voting rights are automatically applied from 31 March 2016.

To the knowledge of the Company, there is to date no pledge over the shares of the Company or of its significant subsidiaries.

Following the consolidation of the Company's shares completed on 3 August 2005, the shareholders had two years, *i.e.* until 4 August 2007, to claim the consolidated shares. On 6 August 2007, the consolidated shares not claimed by their beneficiaries were sold on the stock exchange and the net proceeds of the sale will be held at their disposal for a period of ten years on a blocked account opened with the financial institution appointed by the Company to hold the Company's share registry.

Following the decision of the Ordinary and Extraordinary General Meeting of 24 June 2008 in its 16th resolution, the par value of the share was split in two on 7 July 2008. Each share of par value €14 comprising the share capital as of this date was in full right, exchanged for two shares of par value €7 each and entitled to the same rights as the previous shares.

As a consequence of these operations, the number of shares that could possibly be obtained by the beneficiaries of stock options and free allocation of shares, as well as the redemption ratio of the ORA were adjusted.

FINANCIAL AUTHORISATIONS

(Section including information as per Article L. 225-100 of the French Commercial Code)

The table below sets forth the financial authorisations that are in force as of 10 May 2016 and their use during fiscal year:

Nature of the authorisation	Maximum nominal amount authorised	Nominal amount used during expired fiscal year	Available amount	Expiry/ Duration
ISSUANCE OF SECURITIES				
Delegation of competence to issue shares and securities giving access to the share capital with preferential subscription right and/or by capitalisation of reserves (AGM 1 July 2014, resolution No. 13)	Share capital: €1,080 million (corresponds to 50% of the share capital) (1)(5) Debt securities: €3 billion (2)	None	Maximum amount authorised	1 September 2016 (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 public offer and option to offer a priority right (AGM 1 July 2014, resolution No. 14)	Share capital: €215 million (corresponds to approximately 10% of the share capital) (5), 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. 15, 16 and 17 of the AGM dated 1 July 2014) (1)(3) Debt securities: €1.5 billion (2)	None	Maximum amount authorised	1 September 2016 (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 1 July 2014, resolution No. 15)	Share capital: €215 million (corresponds to approximately 10% of the share capital) (5), 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. 14, 16 and 17 of the AGM dated 1 July 2014) (1)(3) Debt securities: €1.5 billion (2)	None	Maximum amount authorised	1 September 2016 (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 1 July 2014, resolution No. 16)	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. 13, 14 and 15 of the AGM dated 1 July 201[4]) (1)(3) Debt securities: €1.5 billion (2)	None	Maximum amount authorised	1 September 2016 (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 1 July 2014, resolution No. 17)	10% of the share capital to be deducted from the overall limits set in resolutions No. 14 and 15 of the AGM dated 1 July 2014 (1)(3)	None	Maximum amount authorised	1 September 2016 (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 competence to issue shares and other securities granting rights to the share capital with cancellation of the preferential subscription right reserved for members of a Group savings plan (AGM 1 July 2014, resolution No. 18)	2% of the share capital at the date of the Shareholders' Meeting, less any amount issued by virtue of resolution No. 19 of the AGM dated 1 July 2014 (1)(4)	None	Maximum amount authorised	1 September 2016 (duration: 26 months)
Authorisation of free allocation of existing or new shares up to 5,000,000 shares (AGM 18 December 2015, resolution No. 2)	2.3% of the share capital (6)	957,975 shares i.e. 0.43% of the share capital	4,042,025 shares i.e. 1,0.84% of the share capital (6) at date of grant	18 February 2019 (duration: 38 months)
SHARE BUYBACK AND REDUCTION OF THE SHARE CAPITAL				
Share buyback authorisation (AGM dated 30 June 2015, resolution No. 18)	10% of the share capital as of 31 March 2015	None	Maximum nominal amount authorised	30 December 2016 (duration: 18 months)
Authorisation to reduce the share capital by cancellation of shares (AGM 30 June 2015, resolution No. 19	10% of the share capital	None	Maximum amount authorised	30 June 2017 (duration: 24 months)

(1) Global limitation of the capital increases resulting from these authorisations to €1,080 million corresponding to approximately 50% of the share capital as of 31 March 2014 (before any adjustments).
(2) Global limitation of the amount of debt securities resulting from these authorisations to €3 billion.
(3) Global limitation of capital increases resulting from these authorisations with cancellation of preferential subscription rights to €215 million corresponding to approximately 10% of the share capital as of 31 March 2014(before any adjustments).
(4) Global limitation of capital increases related to employee shareholding to 2% of the share capital at the date of the Shareholders' General Meeting (before any adjustments).
(5) On the basis of the share capital as of 31 March 2014 which amounted to €2,160,915,022 consisting of 308,702,146 shares with a nominal value of €7 per share.
(6) On the basis of the share capital at the date of the Shareholders' General Meeting (adjusted to take into account the capital reduction following the public share buy-back – OPRA).

It will be proposed to the next Shareholders' Meeting to be held on 5 July 2016 to renew all of the delegations to issue capital securities which will expire in 2016 and to approve new ones 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 authorized capital increases would be subject to a ceiling of approximately 33% of the share capital as of 31 March 2016, *i.e.* €506 million (overall limit) including a maximum of €153 million or 10% of the share capital as of 31 March 2016 for capital increases with no preferential subscription right (through public offers or private placements).

It is also proposed to renew the authorisations related to capital increases relative to employee shareholding transactions with a specific ceiling which would remain set at 2% of the share capital as of the day of the Shareholders' Meeting and would reduce the overall capital increase limit of €506 million. These authorisations are intended for the development of employee savings, which total 1.35% of the share capital of the Company as of 31 March 2016 (either directly or *via* Alstom's *Fonds Commun de Placement* (French shareholding vehicle, or "FCP").

It will be also proposed to the next Shareholders' Meeting to renew the repurchase of share authorisation (see page 276 hereafter)

CHANGES IN SHARE CAPITAL

	Number of shares issued or cancelled	Nominal amount of capital increase or decrease *(in €)*	Paid in capital amount *(in €)*	Resulting total number of shares	Capital *(in €)*
31 MARCH 2013				**308,158,126**	**2,157,106,882**
Increase in share capital resulting from the exercise of ORA (*) 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 (*) 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 (*) 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 (*) 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**
Increase in share capital resulting from the exercise of options (30 April 2014)	3,000	21,000	4,800.00	308,705,146	2,160,936,022
Increase in share capital resulting from the exercise of options and allocation of performance shares under the plan LTI No. 14 (31 May 2014)	289,496	2,026,472	421,475.20	308,994,642	2,162,962,494
Increase in share capital resulting from the exercise of options (30 June 2014)	37,690	263,830	191,616.00	309,032,332	2,163,226,324
Increase in share capital resulting from the exercise of ORA (*) and options and allocation of free shares under the plan Sharing Plus 2009 (31 July 2014)	142,841	999,887	148,688.00	309,175,173	2,164,226,211
Increase in share capital resulting from the exercise of options (31 August 2014)	69,985	489,895	131,324.80	309,245,158	2,164,716, 106
Increase in share capital resulting from the exercise of options (30 September 2014)	133,692	935,844	334,547.20	309,378,850	2,165,651,950
Increase in share capital resulting from the exercise of options (31 October 2014)	13,500	94,500	146,880.00	309, 392,350	2,165,746,450

	Number of shares issued or cancelled	Nominal amount of capital increase or decrease (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
Increase in share capital resulting from the exercise of options (30 November 2014)	36,580	256,060	397,990.40	309,428,930	2,166,002,510
Increase in share capital resulting from the exercise of options and allocation of performance shares under the plan LTI No. 13 (31 December 2014)	272,901	1,910,307	86,339.75	309,701,831	2,167,912,817
Increase in share capital resulting from the exercise of options (31 January 2015)	24,669	172,683	305,749.11	309,726,500	2,168,085,500
Increase in share capital resulting from the exercise of options and allocation of performance shares under plans LTI No. 13, LTI No. 14 and LTI No. 15 (28 February 2015)	14,982	104,874	163,006.00	309,741,482	2,168,190,374
Increase in share capital resulting from the exercise of ORA (*) and options (31 March 2015)	51,015	357,105	584,411.85	309,792,497	2,168,547,479
31 MARCH 2015				**309,792,497**	**2,168,547,479**
Increase in share capital resulting from the exercise of options (13 May 2015)	11,173	78,211	133,237.96	309,803,670	2,168,625,690
Increase in share capital resulting from the allocation of performance shares under plan LTI No. 15 (15 May 2015)	95,462	668,234	-	309,899,132	2,169,293,924
Increase in share capital resulting from the exercise of options and allocation of performance shares under plan LTI No. 15 (26 June 2015)	21,513	150,591	235,941.92	309,920,645	2,169,444,515
Increase in share capital resulting from the exercise of options and allocation of performance shares under plans LTI No. 14, LTI No. 15 and LTI No. 16 (31 August 2015)	61,237	428,659	657,652.48	309,981,882	2,169,873,174
Increase in share capital resulting from the exercise of options (30 September 2015)	257,864	1,805,048	2,814,495.82	310,239,746	2,171,678,222
Increase in share capital resulting from the allocation of performance shares under plan LTI No. 14 (5 October 2015)	248,038	1,736,266	-	310,487,784	2,173,414,488
Increase in share capital resulting from the exercise of options (31 October 2015)	1,694	11,858	32,846.66	310,489,478	2,173,426,346
Increase in share capital resulting from the allocation of performance shares under plan LTI No. 15 (9 November 2015)	62,220	435,540	-	310,551,698	2,173,861,886
Increase in share capital resulting from the exercise of options (30 November 2015)	39,676	277,732	769,317.64	310,591,374	2,174,139,618
Increase in share capital resulting from the exercise of options and allocation of performance shares under plan LTI No. 15 (16 December 2015)	3,535	24,745	62,435.80	310,594,909	2,174,164,363
Increase in share capital resulting from the exercise of ORA (*) and options (20 January 2016)	31,888	223,216	648,378.54	310,626,797	2,174,387,579
Decrease of capital resulting from the realisation of the OPRA (28 January 2016)	-91,500,000	-640,500,000	-	219,126,797	1,533,887,579
Increase in share capital resulting from the exercise of ORA (*) and allocation of performance shares under plan LTI No. 16 (31 March 2016)	247	1,729	-	219,127,044	1,533,889,308

(*) 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 2016:

	Share capital as of 31 March 2016		Share capital as of 31 March 2015		Share capital as of 31 March 2014	
	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	69,006,474	31.49%	152,978,042	49.39%	147,545,217	47.79%
APE (*)	43,825,361	20.00%	-	-	-	-
Bouygues SA (*)	18,260,866	8.33%	90,543,867	29.23%	90,543,867	29.3%
Société Générale	13,695,537	6.25%	-	-	-	-
DNCA Investments	6,755,771	3.08%	6,303,510	2.03%	1,634,710	0.53%
State Street Corporation	6,295,305	2.87%	6,295,305	2.03%	6,295,305	2.04%
Aviva PLC	5,113,366	2.33%	4,612,819	1.49%	4,096,878	1.33%
Schroders PLC	4,906,904	2.24%	1,570,516	0.51%	-	-
FMR LLC	4,333,965	1.98%	12,415,000	4.01%	12,420,078	4.02%
Amundi	4,303,193	1.96%	6,129,410	1.98%	4,601,874	1.49%
GIC Private Limited	3,961,232	1.81%	-	-	-	-
Norges Bank	3,438,772	1.57%	3,666,467	1.18%	4,623,147	1.50%
Employees (2)	2,962,678	1.35%	3,255,708	1.05%	3,921,725	1.27%
Alken Luxembourg S.A.	2,161,642	0.99%	-	-	-	-
Caisse des Dépôts et Consignations	2,134,341	0.97%	3,112,659	1.00%	3,112,659	1.01%
Covea Finance	1,996,760	0.91%	1,996,760	0.64%	1,996,760	0.65%
Edmond de Rothschild Asset Management	1,872,016	0.85%	1,620,794	0.52%	1,620,794	0.53%
Oppenheimer Funds	1,514,586	0.69%	-	-	-	-
Natixis Asset Management	1,511,882	0.69%	1,549,832	0.50%	2,868,506	0.93%
Eton Park	1,502,300	0.69%	1,602,300	0.52%	-	-
Franklin Resources Inc.	1,425,626	0.65%	(3)	(3)	12,323,344	3.99%
Groupama Asset Management	1,403,076	0.64%	-	-	-	-
Lloyds Banking Group	1,400,970	0.64%	-	-	-	-
Artisan Partners	1,393,382	0.64%	-	-	-	-
FIL Limited	1,387,923	0.63%	-	-	-	-
York Capital Management	1,350,000	0.62%	-	-	-	-
Legal & General Group plc	1,330,144	0.61%	1,696,714	0.55%	1,512,457	0.49%
HSBC Holdings plc	1,319,326	0.60%	-	-	-	-
Richelieu Finance	1,312,000	0.60%	-	-	-	-
Groupe Fradim	1,300,000	0.59%	-	-	-	-
AXA SA	1,287,929	0.59%	(3)	(3)	3,063,367	0.99%
Marsico Capital Management	1,245,255	0.57%	-	-	-	-
Och Ziff Capital Management	1,179,055	0.54%	-	-	-	-
UBS Investment Bank	1,128,659	0.52%	-	-	4,977,268	1.61%
HSBC Global Asset Management	1,110,748	0.51%	-	-	-	-
Crédit Suisse Group AG	(4)	(4)	2,928,066	0.95%	3,056,647	0.99%
Citigroup Inc.	(4)	(4)	2,859,728	0.92%	992,004	0.32%
TOTAL	**219,127,044**	**100.00%**	**308,702,146**	**100.00%**	**308,158,126**	**100.00%**

(*) See below the concert declaration with the French Republic.
(1) % calculated based on the share capital as of 31 March of each year and not based on the share capital on the date of the declaration.
(2) Shares held by employees and former employees of the Group savings plan as of 31 March 2016, which corresponds to approximately 0.51% held directly and approximately 0.49% held through an employee mutual Fund (FCPE).
(3) Shareholders with less than 0.5% of the Company's share capital as of 31 March 2015.
(4) Shareholders with less than 0.5% of the Company's share capital as of 31 March 2016.
Note: HBK Master Funds and Farallon Capital management have been removed from the table following an error in 2014/2015 version of the document.

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 2016.

After 31 March 2016, the Company received the following declarations of threshold crossing:

- Alken Luxembourg S.A. notified that it held, on 1 April 2016, 2,289,583 shares (1.04% of the share capital and voting rights of Alstom);
- Norges Bank notified that it held, on 1 April 2016, 3,190,317 shares (1.46% of the share capital of Alstom);
- Natixis Asset Management notified that it held, on 8 April 2016, 1,119,719 shares (0.511% of the share capital of Alstom);
- Bouygues SA notified that it held with the APE, on 3 April 2016, 62,086,227 shares (28.33% of the share capital of Alstom) and 65,347,093 voting rights (29.15% of the voting rights of Alstom).
- Natixis Asset Management notified that it held, on 19 April 2016, 1,095,991 shares (0.500% of the share capital of Alstom);
- GIC Private Limited notified that it held, on 20 April 2016, 1,951,544 shares (0.89% of the share capital and 0.87% of the voting rights of Alstom);
- FMR LLC notified that it held, on 21 April 2016, 3,257,604 shares (1.49% of the share capital and 1.45% of the voting rights of Alstom);
- GIC Private Limited notified that it held, on 25 April 2016, 917,218 shares (0.42% of the share capital and 0.41% of the voting rights of Alstom);
- FMR LLC notified that it held, on 27 April 2016, 2,229,810 shares (1.01% of the share capital and 0.99% of the voting rights of Alstom);
- FMR LLC notified that it held, on 28 April 2016, 2,016,983 shares (0.92% of the share capital and 0.90% of the voting rights of Alstom);
- FMR LLC notified that it held, on 10 May 2016, 997,293 shares (0.46% of the share capital and 0.44% of the voting rights of Alstom);
- Credit Suisse notified that it held, on 18 May 2016, 1,120,325 shares (0.51% of the share capital of Alstom) ;
- Natixis Asset Management notified that it held, on 20 May 2016, 1,083,832 shares (0.495% of the share capital of Alstom).

On 22 June 2014 Bouygues concluded with the French Republic (the “State”), represented by the *Agence des Participations de l’État* (State Shareholdings Agency, “APE”), an agreement under which the State, or any other entity of its choice controlled by it, could purchase part of the ALSTOM shares held by Bouygues. A detailed description of the agreement is provided in notice 214C1292 published by the *Autorité des marchés financiers* (AMF) on 3 July 2014 in which the AMF concludes, after examining said agreement, that the State and Bouygues are acting in concert in respect of ALSTOM (see section “Elements which could have an impact in the event of a public offer” in the present chapter for a presentation of the main terms of the agreement appearing in the AMF notice).

Following the AMF’s decision of 3 July 2014, the APE, controlled by the State, and Bouygues SA formally recorded that they are acting in concert in respect of ALSTOM under article L. 233-10 of the French Commercial Code. In the notification received by the Company from the members of the concert on 10 July 2014, they indicated that no members of the above-mentioned concert other than Bouygues SA holds, alone or in concert, shares or securities giving access to ALSTOM’s capital and that only Bouygues SA holds ALSTOM shares, *i.e.* 90,543,867 ALSTOM shares representing 29.29% of this company’s share capital and voting rights.

Moreover, pursuant to the provisions of articles L. 233-7-VII and L. 233-9-I-3° of the French Commercial Code and article 223-17-I of the AMF’s General Regulations, the APE stated in the notification:

- that it was not acting in concert with persons other than Bouygues SA;
- that the shares that will be acquired in the event of the exercise of the put option granted by Bouygues SA to the APE under the terms of the agreement signed on 22 June 2014 between the French Republic represented by the APE and Bouygues SA (the “Agreement”) will be financed out of its own funds;
- that it reserves the right to acquire shares on the market or from third parties, it being specified that the aim of the APE is to hold a stake equal to 20% of ALSTOM’s capital and that it does not intend to increase its holding in ALSTOM’s capital beyond the mandatory tender offer threshold or take control of ALSTOM;
- that it supports Alstom’s strategy within the framework of the agreement signed between the French Republic, Alstom and General Electric on 21 June 2014;
- that it does not contemplate proposing a merger, reorganisation, liquidation or transfer project for Alstom assets nor a change in Alstom’s business, other than those detailed in the agreement signed with General Electric on 21 June 2014, or a change in its articles of association or an issuance by Alstom of financial securities or the withdrawal of securities from the financial markets;
- that it will decide to exercise or not the put options described in the Agreement on the basis of market conditions;
- that, under the terms of the Agreement, Bouygues SA will loan, under the terms of a loan *(prêt de consommation)* to the APE, from the first stock exchange trading day following the Reference Date (*e.g.* the Reference Date being defined in the Agreement as the payment date of the exceptional dividend or any transaction with an equivalent effect following the completion of the transactions announced by ALSTOM on 21 June 2014) and up to the payment/delivery of the third put option, if it is exercised, or the expiry of the exercise period of the third put option, if it is not exercised, a number of shares such that the number of ALSTOM voting rights held by the APE (taking into account the voting rights acquired by the APE) including after the Reference Date is equal to 20% of the Alstom voting rights; and
- that it intends to request the appointment of the two representatives on Alstom’s Board of Directors as from the Reference Date.

Bouygues SA has indicated that it was not obligated to issue a declaration of intent since it already held more than 25% of the capital and the voting rights prior to the concert being established, but nevertheless declared that, should it be necessary:

- it does not contemplate acquiring Alstom shares or control over Alstom;
- it supports the strategy decided upon by Alstom’s general management and, in particular, the signing of the agreement concluded with General Electric on 21 June 2014;
- it does not contemplate proposing a merger, reorganisation, liquidation or asset transfer project for Alstom assets or a change in Alstom’s business or a change to its articles of association or an issue of Alstom financial securities or the withdrawal of securities from the financial markets;
- that it has granted put options and a loan agreement for shares to the APE under the terms of the Agreement; and
- that it does not envisage requesting the appointment of additional representatives on ALSTOM’s Board of Directors (given that Bouygues SA currently has two representatives on ALSTOM’s Board of Directors and will keep one representative after the Reference Date).

In accordance with the terms of the agreement signed between the French State and Bouygues, Bouygues submitted a resolution at the General Shareholders' Meeting dated 18 December 2015 convened to approve the distribution to the shareholders of a portion of the proceeds in the form of an *offre publique de rachat d'actions* (public share buyback offer or "OPRA") for the appointment of Mr Olivier Bourges as Director on the Board of Directors of the Company as from the settlement-delivery of the OPRA. The General Shareholders' Meeting dated 18 December 2015 approved the appointment of Mr Olivier Bourges as Director.

The Company is not aware of the existence of a shareholders' agreement relating to the Company's capital other than the protocol concluded between Bouygues and the French Republic on 22 June 2014.

As of 10 May 2016, to the knowledge of the Company, 31,201 shares are held by the individual Directors of the Company and 33,689 shares are held by the members of the Executive Committee, representing in total approximately 0.03% of Alstom's share capital and voting rights. The company Bouygues SA, Director of Alstom since 18 March 2008, holds 18,260,866 shares, *i.e.* 8.33% of the share capital and 9.15% voting rights of the Company as of 10 May 2016. The French State (APE) holds 43,825,361 shares, *i.e.* 20% of the share capital and voting rights of the Company at the same date.

A table identifying the operations as per Article L. 621-18-2 of the French Monetary and Financial Code is available in section "Corporate governance – Interest of the officers and employees in the share capital".

ALSTOM does not hold, directly or indirectly through companies it controls, any of its own shares and each Director holds at least the number of shares recommended by the Director's Charter annexed to the Board Internal Rules. The Internal Rules of the Board, as amended on 17 March 2015, increased from 500 to 2,000 the number of shares needed to be held by each Director, which corresponds to approximately one year of Director's fees. Each Director shall have a period of two years from 1 January 2015 or the beginning of his or her mandate if later, to increase his or her number of shares at this minimum level. Shares shall be held in registered form.

SECURITIES AND RIGHTS GIVING ACCESS TO THE SHARE CAPITAL

The securities and rights giving access to the Company's share capital are composed of:

- the rights resulting from free allocations of shares; and
- stock options to subscribe shares.

The subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA") were reimbursed in shares on 31 December 2008, as described below.

There are no other securities giving rights to the share capital of the Company.

Subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA")

In December 2003 the Company issued subordinated 2% bonds due December 2008 for €901,313,660.80 and reimbursable in Company's shares ("ORA") with preferential subscription rights which may lead to the issue of a maximum of 643,795,472 new shares with a ratio of 0.0628 ALSTOM share of €7 par value, after adjustments of the redemption ratio following the operations on the share capital of the Company.

On 31 December 2008 the ORA were reimbursed in shares pursuant to the terms and conditions of the bonds.

As of 31 March 2016, 77,554 ORA, representing 0.01% of the issue, were held by bondholders who did not yet notify the Company if they request at redemption the number of shares resulting either from the rounding down to the nearest whole number (with cash compensation by the Company) or the rounding up to the nearest whole number (with cash payment by the bondholder).

Free allocations of shares

See sections:

- "Corporate governance – Interest of the officers and employees in the share capital – Stock options and performance share plans"; and
- "Corporate governance – Interest of the officers and employees in the share capital – Free shares plans for subscribers to "Alstom Sharing 2009" offer located outside France.

Stock options

See section "Corporate governance – Interest of the officers and employees in the share capital – Stock options and performance share plans".

POTENTIAL SHARE CAPITAL

	Total number of shares that may be issued	Amount of corresponding capital increase *(in €)*	% of the share capital as of 31 March 2015
Shares that may result from the exercise of existing stock option plans (*)	7,838,555	54,869,885	3.58%
Shares that may be issued on the basis performance shares plans (*)	2,208,837	15,461,859	1.01%
TOTAL (*)	**10,047,392**	**70,331,744**	**4.59%**

(*) Subject to satisfaction of all performance conditions linked to fiscal years 2015/16 and 2016/17. See section "Information on the share capital – Interests of the officers and employees in the share capital – Stock options and performance shares plans" and Note 23 to the Consolidated Financial Statements for fiscal year 2015/16.

REPURCHASE OF SHARES

(Information as per Article L. 225-11 of the French Commercial Code)

Use by the Board of Directors of the authorisation granted by the Shareholders' Meeting

Acting pursuant to Article L. 225-209 *et seq.* of the French Commercial Code, the Ordinary and Extraordinary General Meeting held on 30 June 2015 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 2015, *i.e.* a theoretical number of 30,979,249 shares for a maximum purchase price of €60, subject to adjustments in relation to operations on the share capital and for a duration of 18 months after the General Meeting expiring on 31 December 2016. The Company did not use this authorization during fiscal year 2015/16.

Presentation of the share purchase programme submitted to the approval of the Ordinary and Extraordinary General Meeting called on 5 July 2016

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 5 July 2016, pursuant to Article 241-2-I of the General Regulation of the French *Autorité des marchés financiers.*

Number of shares and portion of the share capital held directly or indirectly by ALSTOM

ALSTOM does not hold directly or indirectly any shares composing its share capital and any securities giving access to its share capital.

Split by objectives of shares purchased

Not applicable.

Objectives of the share purchase programme

This share purchase programme may be used:

- with the purpose of cancelling the shares acquired under the conditions laid down by law;
- with the purpose of allocating or selling shares to employees, former employees or corporate officers of the Company and its affiliated companies as defined in Articles L. 225-180 and L. 233-16 of the French Commercial Code, in particular through employee purchase schemes, stock option plans, free allocations of shares, shareholding transactions reserved for employees or any share-based compensation system;
- to hold, sell, transfer or exchange the shares purchased as part of or following any external growth transactions within the limit set forth in the 6th paragraph of Article L. 225-209 of the French Commercial Code;
- to deliver shares upon exercise of rights attached to securities giving access to the share capital;
- to ensure the liquidity of the market and to manage the Company's market through an authorised investment services provider as part of a liquidity contract complying with a code of ethics agreed upon by the French *Autorité des marchés financiers* (AMF);
- as well as to implement any market practice that could potentially be allowed by the AMF and, more generally, to carry out any other transaction in compliance with applicable regulations.

The purchase, sale, transfer or exchange of these shares may occur, in accordance with the rules set by the relevant regulatory bodies, on regulated markets or off the market including multilateral trading facilities (MTFs) or *via* a systematic internaliser, by any means, including through block transfer or the use or exercise of any financial instruments, derivatives, particularly, through optional transactions such as the purchase and sale of options and at any time within the limits set forth by laws and regulations, excluding during any take-over period on the Company's share capital.

Maximum portion of share capital and maximum number of shares which may be repurchased

Pursuant to Article L. 225-209 *et seq.* of the French Commercial Code, the Board of Directors is allowed to purchase Company shares up to the number of shares that represent 10% of the Company's share capital as of 31 March 2016, *i.e.,* a theoretical maximum number of 21,912,704 shares of €7 nominal value, and a theoretical maximum aggregate purchase price of €986,071,680 based on the maximum purchase price set hereafter.

Maximum purchase price

The purchase price may not exceed €45 per share, subject to adjustments relating to transactions affecting the Company's share capital. In the event of transactions dealing with the Company's share capital and, in particular, in the event of an increase in the share capital by the incorporation of reserves and the allocation of shares, free of charge, as well as in the event of a split or a consolidation of the shares, the maximum price indicated above shall be adjusted by a multiplying ratio equal to the number of shares included in the share capital before the transaction divided by the number of these shares after the transaction.

Duration

The share purchase programme will be valid during 18 months after the Shareholders' Meeting called to be held on 5 July 2016, *i.e.* 5 January 2018.

Characteristics of the shares which may be purchased

Shares listed on the NYSE Euronext Paris (Compartment A).
Name: ALSTOM.
ISIN Code: FR0010220475.
Ticker: ALO.

ISSUE OF DEBT SECURITIES

On 5 October 2015, 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.

During fiscal year 2015/16, the Company did not issue any debt securities.

DIVIDENDS PAID OVER THE LAST THREE FISCAL YEARS

(Information as per Article 243 *bis* of the French General Tax Code)

The fiscal year ended 31 March 2016 records a loss which amounts to €(268,164,642.80). It will be proposed to the next Shareholders' Meeting called on 5 July 2016 to apply this loss for its total amount on the account "general reserve" which as a result would amount to €3,824,443,042.99.

As a result, no dividend will be paid to the Shareholders in respect of the fiscal year ended 31 March 2016. The following dividends were distributed in respect of the previous fiscal years:

Fiscal year	2014/15 *(in €)*	2013/14 *(in €)*	2012/13 *(in €)*
Dividend per share (*)	-	-	0.84

(*) 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 2016".

ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

(Information as per Article L. 225-100-3 of the French Commercial Code)

Structure of the Company's share capital

A table detailing the structure of ALSTOM's share capital is presented in section "Additional information – Information on the share capital – Ownership of Alstom shares".

Provisions of the Articles of Association restricting the exercise of voting rights and the transfer of shares, or other clauses of agreements known by the Company

There is no statutory restriction other than those mentioned in Article 7 of the articles of associations which provides the loss of voting rights under certain conditions, for not giving to the Company notification of shareholding or voting rights exceeding certain levels set forth in the articles of association. See section "Additional information – Summary of key provisions of the articles of association – Notification of holdings exceeding certain percentages".

Agreements of which the Company is aware in application of article L. 233-11 of the French Commercial Code

On 22 June 2014 Bouygues concluded with the French Republic (the "State"), represented by the *Agence des Participations de l'État* (State Shareholdings Agency, APE"), an agreement under the terms of which the French Republic or any other entity of its choice controlled by it, may buy all or part of Alstom's capital held by Bouygues. A detailed description of the agreement is given in the notice 214C1292 published by the *Autorité des marchés financiers* (AMF) on 3 July 2014 in which the AMF concludes, after examining the said agreement, that the State and Bouygues are acting in concert in relation to the ALSTOM company. See also the section "Complementary information – Information on the share capital – Ownership of Alstom shares".

Under the terms of the agreement the State will benefit, during a period of eight days from the 60 trading day after the Reference Date, from a put option (the "First put option") on a number of shares representing 20% of ALSTOM's capital at the Reference Date at the unit price of €35 (adjusted to take into account any exceptional dividend and any operation having an impact on ALSTOM's capital). The Reference Date is defined in the agreement as the date of payment of the exceptional dividend or any operation having an equivalent effect following the completion of the transactions announced by ALSTOM on 21 June 2014.

In the absence of the exercise of the First put option and for 17 months following the end of the exercise period of the First put option, the State will benefit from a put option (the "Second put option") on a number of shares representing 20% of ALSTOM's capital at the Reference Date at a unit price equal to 95% of the weighted average of the volumes of the share's market price over a reference period of sixty trading days preceding the exercise date; the price may not be less than €35 per share (adjusted to take into account any exceptional dividend and any transaction affecting ALSTOM's capital).

In the absence of the exercise of the First put option or the Second put option, the State shall benefit, for a period of eight trading days following the end of the exercise period of the Second put option, from a third put option (the "Third put option") on a number of shares representing 15% of ALSTOM's capital at the reference Date at a price per share equal to 98% of the weighted average of the volumes of the ALSTOM share market price over a reference period of 60 trading days preceding the end of the 17-month period detailed above.

In the event of very significant negative variations in the market (such as a stock market crash) over the 60 trading days preceding the start of the exercise period of the Third put option, the parties have agreed to discuss in good faith the terms of the sale during a period which may not exceed 30 days from the first day of the exercise period of the Third put option. The exercise of the Third put option shall thus be suspended during the discussion period and shall recommence at the end of this period, including in the absence of agreement between the parties.

Bouygues shall be free to sell all or part of the shares covered by the put options (after having sold all the other ALSTOM shares it holds) subject to having previously offered them to the APE.

In addition, as from the first trading day following the Reference Date and up to the exercise or expiry of the put options granted to the State, Bouygues has undertaken to grant the State a loan of shares covering a number of shares such that the number of Alstom voting rights held by the State equals 20%. The Reference Date had occurred on 28 January 2016, Bouygues has transferred to the *Agence des Participations de l'État* (APE) 43,825,360 shares in accordance with this loan of shares. Any sale of shares to the APE will extinguish the loan of shares in the amount of the shares sold.

This provision of the aforementioned loan (*i.e.* put option and loan of shares) was conditioned by the closing of the Energy transaction with General Electric, which occurred on 2 November 2015.

Some provisions were challenged by the French association of minority shareholders (ADAM), which requested its cancellation to the Paris Commercial Court on 17 December 2014. The Company has been informed of the withdrawal by ADAM of the request which was pending before the Court of Appeal of Paris.

The other main clauses of the agreement also contain the following principles:

- **Acting in concert:** should the AMF consider that the parties are acting in concert, the parties shall make the required declarations. If this is the case, each of the parties agrees to do nothing which would cause them, in concert, to exceed the threshold of 30% of the capital or voting rights of ALSTOM. The party which would fail to comply with this commitment shall be solely responsible for the consequences of this failing and, in particular, for any mandatory public offer that may be demanded as a consequence.
- **Voting undertaking:** Bouygues has committed to vote at ALSTOM General Meetings against any resolution which would jeopardise the statutory and/or legal provisions permitting the APE to acquire double voting rights at the end of a holding period of registered shares of two years. Should Bouygues hold, at any ALSTOM Shareholders' General Meeting held after the Reference Date, more voting rights than the APE (taking account, for the APE, of the shares loaned by Bouygues), Bouygues has agreed not to exercise any more voting rights than the APE holds at the said General Meeting.

  This undertaking led Bouygues to vote against the twentieth resolution of the Shareholders' General Meeting of 1 July 2014 which proposed the introduction into the articles of association of a measure to keep single voting rights.
- **Governance:** Bouygues and the APE have undertaken to do their best efforts for 10 years as from the signing of the agreement so that the ALSTOM Board of Directors, after the Reference Date, includes one Director appointed by Bouygues, provided that Bouygues holds at least 1% of the ALSTOM capital, and two Directors proposed by the APE or the State. Bouygues submitted a resolution at the General Shareholders' Meeting dated 18 December 2015 convened to approve the distribution to the shareholders of a portion of the proceeds in the form of an *offre publique de rachat d'actions* (public share buyback offer or "OPRA") for the appointment of Mr Olivier Bourges as Director on the Board of Directors of the Company as from the settlement-delivery of the OPRA. The General Shareholders' Meeting dated 18 December 2015 approved the appointment of Mr Olivier Bourges as Director.

Direct or indirect shareholdings in the Company

As of 10 May 2016, Bouygues SA and the French Republic hold in concert 28.33% of the share capital and 29.15% 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 0.493% of the Company's share capital and voting rights as of 31 March 2016.

Shareholders' agreements that may restrict the transfer of shares and the exercise of voting rights

To the knowledge of Alstom, there are no other shareholders' agreements that may restrict the transfer of Alstom's shares and/or the exercise of Alstom's voting rights than the memorandum of understanding entered into between Bouygues and the French Republic on 22 June 2014, as mentioned above. See also section "Additional information – Information on the share capital – Ownership of the capital".

Specific rules governing the nomination and replacement of Directors, and the modification of the Company's Articles of Association

None.

Board of Directors' powers

The Shareholders' Meeting held on 30 June 2015 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 5 July 2016 to renew this authorisation under the conditions detailed page 276, excluding during any take-over on the Company's share capital. See also section "Additional information – Information on the share capital – Repurchase of shares".

Agreements that may be amended or terminated in case of a change of control of the Company

The financing agreements, the terms of bonds issues and bonding programmes of the Group include change of control clauses.

All ALSTOM's bond issues contain each a change of control clause that allows any bondholder to request the early reimbursement of its bonds during a specific period of time, in case of change of control of ALSTOM.

The Revolving Credit Facility, amounting to €400 billion, maturing in June 2021 contains a change of control clause that allows each financial institution party to this agreement to request the cancellation of its credit commitment and the early reimbursement of its participation in the facility in case of change of control of Alstom.

The Committed Bonding Facility of a maximum amount of €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 the other debts of the Group as a result of their cross-default or cross-acceleration provisions. The new Committed Bonding Facility of a maximum amount of €3.5 billion maturing 1 November 2018 also contains a similar change of control clause which may result in the same consequences. For further information on this facility and the revolving committed bonding facilities, see section "Financial risks – Liquidity risks".

Agreements providing indemnities to Board members or employees, if they resign or are dismissed without actual and serious reason or if their employment ends due a public offer

None. See section "Corporate governance – Corporate governance and Executive and Non-Executive Directors' compensation report".

RELATIONS WITH SHAREHOLDERS

The mission of the Investor Relations team is to provide the financial community (institutional investors or financial analysts) with a complete and updated information on the financial situation of the Group, its strategy and evolution.

Stock market news

On 31 March 2016, the share price closed at €22.465 and the Group's stock market capitalisation stood at €4.9 billion.

Keeping investors informed

www.alstom.com

The Investors' section of the Alstom website has been especially designed to provide shareholders with easy access to all of the Group's financial communications: share price quotes, the possibility to download historical data, as well as financial results, presentations, Registration Documents, dates of important meetings, frequently asked questions. Printed copies of the Registration Document can be obtained in French and English by sending a request to the Investor Relations Department.

Contacts

E-mail: investor.relations@alstom.com

France: Toll free number from France – 0800 50 90 51, from Monday to Friday, from 9 am to 6 pm.

From abroad: + 33 1 57 06 87 78 (call will be charged at your local operator's standard international rate).

Alstom – Investors Relations
48, rue Albert-Dhalenne
93400 Saint-Ouen
France

Investors Relations Director: Selma Bekhechi

Investors Relations Manager: Julien Minot

LISTING OF THE SHARES

ALSTOM share as of 31 March 2016

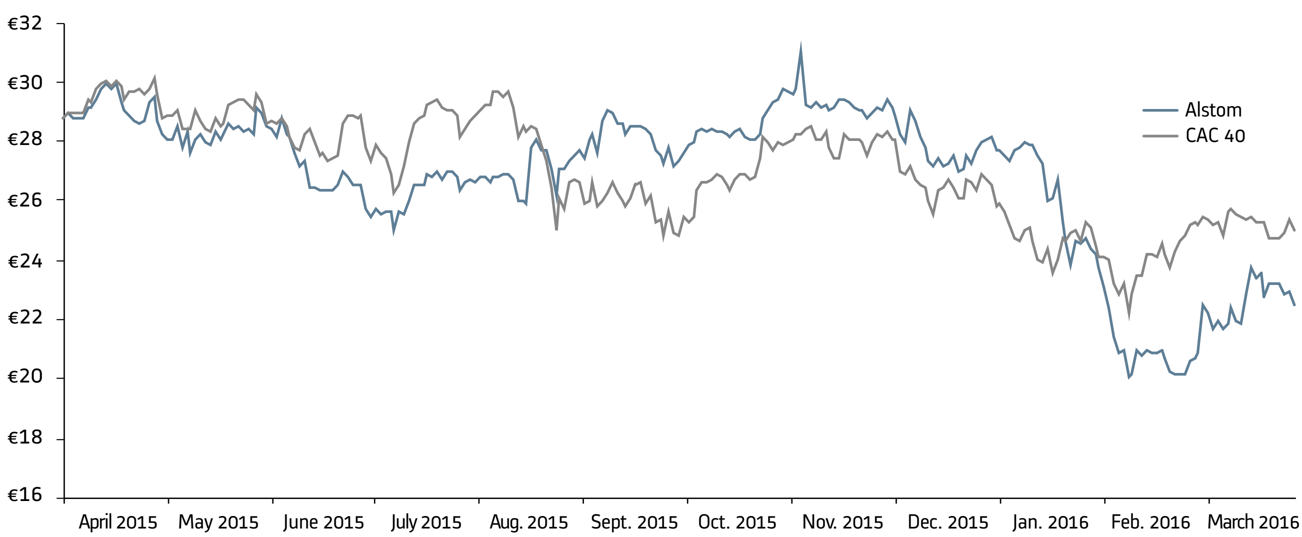
ALO LISTED NYSE EURONEXT PARIS

Place of listing:	**Euronext Paris**
ISIN Code:	FR0010220475
Ticker:	ALO
Nominal value:	€7
Number of shares:	219,127,044
Market capitalisation:	€4,922,689,043
Main indexes:	CAC Next 20 SBF 120 Euronext 100

The ALSTOM shares are no longer listed on the London Stock Exchange since 17 November 2003, nor on the New York Stock Exchange since 10 August 2004.

The Company has chosen not to create or otherwise sponsor an American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "unsponsored" and has no ties whatsoever to the Company. This means that the Company cannot be relied upon to ensure the proper operation of such facility or to protect the rights of ADR holders, and the Company expressly disclaims any liability or submission to jurisdiction to any courts in the United States in respect of such facility. Persons choosing to deposit Alstom shares into such a facility or to acquire ADRs issued from such a facility do so at their own risk and on the basis of their own analysis of such facility.

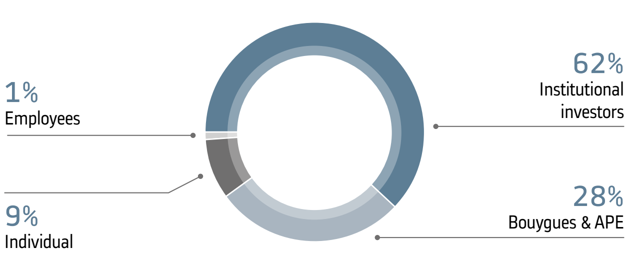
SHARE PRICE EVOLUTION *(in €)* **– APRIL 2015/MARCH 2016**



Alstom basis as of 31st Mars 2015: €28.73
Source: Euronext Paris.

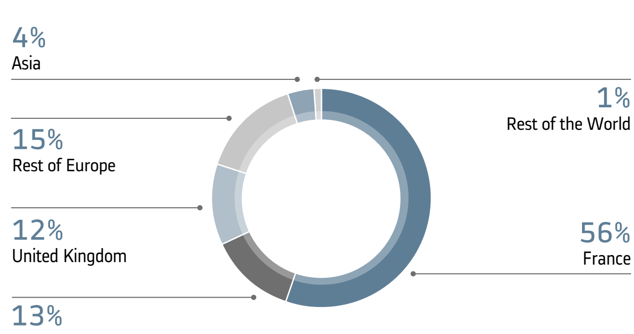
Shareholder structure

According to a shareholder study carried out by Euroclear France and Orient Capital on 12 February 2016, the share capital was distributed as follows:



Source: Alstom

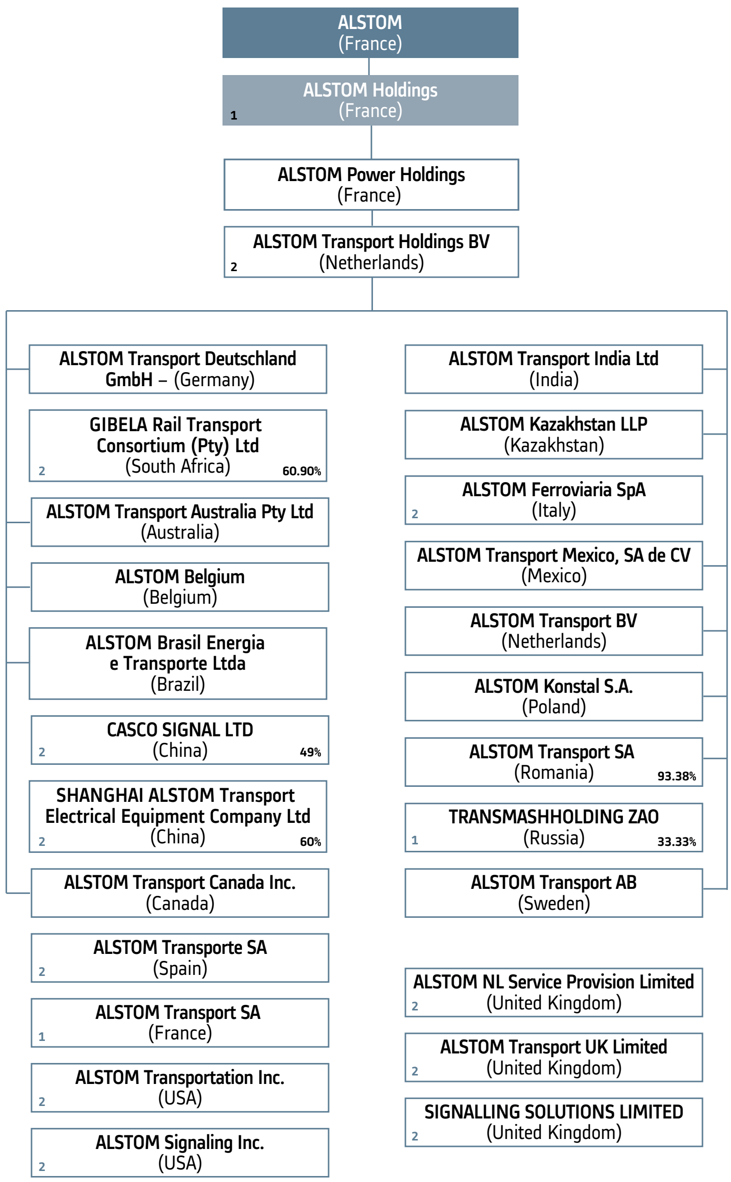
CAPITAL STRUCTURE BY REGION(1)



Source: Alstom

(1) On identified shareholders only.

SIMPLIFIED ORGANISATION CHART AS OF 31 MARCH 2016



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 2015/16, established pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulation of the French *Autorité des marchés financiers,* is made up of the sections at sub-sections of the French Registration Document identified in the table below:

Sections of the Registration Document	Pages of the Registration Document
Consolidated financial statements	40 to 109
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Management report	
• Management report on consolidated financial statements fiscal year 2015/16, which constitutes the Board of Directors' report on the Group management for the fiscal year ended 31 March 2016 and to which the Chairman's report (Article L. 225-37 of French Commercial Code) is attached as well as the Statutory Auditors' report prepared in accordance with Article L. 225-35 of the French Commercial Code on the report prepared by the Chairman of the Board	20 to 37
• Group description of activities, which is included in the Board of Directors' report on the Group management	4 to 17
• Risk factors, which is included in the Board of Directors' report on the Group management	138 to 154
• Chairman's report (Article L. 225-37 of French Commercial Code)	156 to 197
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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 2015, the Auditors' reports thereto and the Group's management report, as shown at pages 72 to 145, 148 to 166, 146 to 147, 167 to 172, 50 to 69 respectively, of the Registration Document No. D.15-0525 filed with the French Stock Market Authority *(Autorité des marchés financiers)* on 20 May 2015; and
- the consolidated and statutory financial statements for the fiscal year ended 31 March 2014, the Auditors' reports thereto and the Group's management report, as shown at pages 86 to 148, 151 to 166, 149 to 150, 168, 62 to 84, 174 to 187 and 6 to 59 respectively, of the Registration Document No. D.14-0550 filed with the French Stock Market Authority *(Autorité des marchés financiers)* on 20 May 2014.

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 2015/16 are established in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of operations of the Company and all enterprises included in the consolidation perimeter, and the elements of the management report included in pages 20 to 37 and pages 138 to 154 and 4 to 17 presents a true and fair view of the evolution of the operations, results of operations and financial position of the Company and all enterprises included in the consolidation perimeter, as well as a description of the main risks and uncertainties faced by them.

I have obtained from the Auditors, PricewaterhouseCoopers Audit and Mazars, a letter of completion of work in which they indicate that they have verified the information relating to the financial situation and financial statements given in this Registration Document and have read the whole Registration Document.

The historical financial information presented or included by reference in the Registration Document has been the subject of reports by the Auditors included on pages 110 to 111 and 130 to 131 for the year ended 31 March 2015 and 31 March 2014. The Auditors' report on the consolidated financial statement for fiscal year 2013/14 do not contain any emphasis of matter while the Auditors' report on the consolidated financial statement for fiscal year 2013/14 issued without qualifications contains an emphasis relating to change in method in connection with the revision of IAS 19. The Auditors' report on the consolidated financial statement for the year ending 31 March 2015 issued without qualifications, draws attention to the two following matters:

- Note 1.1 "Alstom strategic move", Note 3 "Comparability", Note 4 "Assets held for sale and discontinued operations" and Note 27.5 "Liquidity risk management" which set out the accounting treatment and impacts of the Group's Energy activities planned transaction with General Electric.
- Note 1.2 "Agreement between Alstom and the US Department of Justice" and Note 30.2 "Disputes – Alleged illegal payments", which set out the consequences of the agreement concluded with the US Department of Justice.

The Auditors' report on the consolidated financial statement for fiscal year 2015/16 issued without qualifications draws attention to the following point :

- Note 1.1 "Alstom strategic move", Note 3 "Major changes in scope of consolidation" and Note 12 "Investments in Joint Ventures and Associates" which set out the accounting treatment and impacts of the transaction with General Electric including the sale of the Group's Energy activities, the acquisition of General Electric's Signalling business and the investments in the alliances with General Electric; and
- Note 30.2 "Disputes" which describes ongoing investigations by judicial authorities with respect to alleged illegal payments in certain countries.

Saint-Ouen, 31 May 2016.

Henri Poupart-Lafarge
Chairman and Chief Executive Officer

(1) This is a free translation of the statement signed and issued in French language by the Chairman and Chief Executive Officer of the Company and is provided solely for the convenience of English speaking readers.

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