Half Year Results Fiscal Year 2023/24

15 November 2023

ALSTOM
• mobility by nature •

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Agenda

CEO introduction
Henri Poupart-Lafarge, *Chairman and CEO*

H1 2023/24 financial results
Bernard Delpit, *CFO*

Company action plan
Henri Poupart-Lafarge, *Chairman and CEO*

1

Introduction

Henri Poupart-Lafarge
Chairman and CEO

Consolidating Investment Grade profile, delivering profitability and cash trajectory

Commercial and operational action plan

- ✓ Orders selectivity
- ✓ Successful ramp-up
- ✓ On-time delivery restored by FY25
- ✓ Inventory days back to 75 mid-term

Balance sheet strengthening

- ✓ Commitment to Investment Grade
- ✓ €2bn inorganic measures

Costs efficiency

- ✓ ~1,500 S&A FTEs
- ✓ S&A / sales ratio targeting (~1pp)

Governance

- ✓ Organization simplification
- ✓ Cash driven short-term incentives

Operational and commercial plan to secure EBIT and cash trajectory

€(1.1)bn cash outflow

- Ramp-up > 10% per year creating working capital needs
- Low level of commercial activity – orders down 16% vs H1 2022/23
- Delays in acceptance and finalization of Aventra

Reinforcement of commercial and operational plan

- Acceleration of third phase of merger roadmap (optimization)
- Working capital discipline (inventory days and contract assets reduction plan)
- Costs saving plan (~1,500 jobs - mainly S&A)

Decision to reinforce Balance sheet to secure Investment grade

Balance sheet to be strengthened

- €(3.4)bn net financial debt
- Higher interest rates impacts
- Insufficient organic deleveraging trajectory
- Negative outlook from Moody's

€2bn inorganic measures

Depending on market conditions, with flexibility on timeline and sizing of the instruments:

- Assets disposal programme (€0.5 to €1.0bn)
- Equity-like issuances
- Capital increase

Governance changes to improve accountability at all levels

Lack of financial predictability

- Complex organization
- Weak planning
- Inherent cash-in volatility

Governance reinforcement

- Operational organization simplification
- Accountability at all levels
- Proposed dissociation at next General Assembly

2

Financial Results

Bernard Delpit
CFO

H1 2023/24 financial results in line with preliminary figures release

ORDERS
€8.4bn

Book-to-bill
1.0

SALES
€8.4bn

+4.9% *(o/w 8.8% org)*
vs H1 2022/23

aEBIT MARGIN
5.2%

+30bps
vs H1 2022/23

FREE CASH FLOW
€(1,119)m

vs €(45)m
H1 2022/23

160 kton
Scope 1+2 Emissions[1,2]
(11)% vs March 2023

832 GWh
Energy consumption[1,2]
(7)% vs March 2023

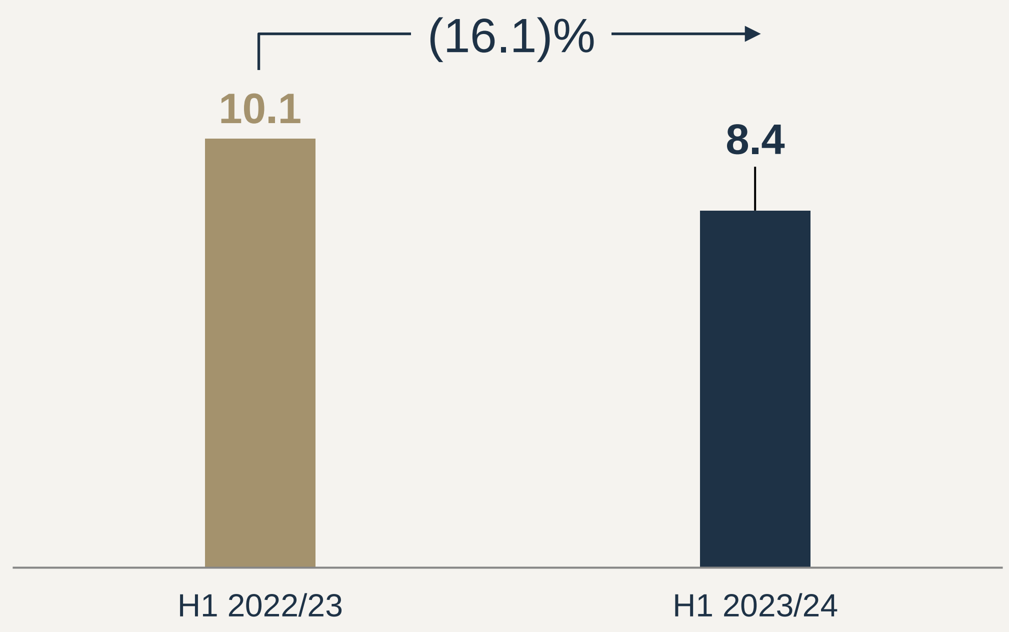
64 %
Electricity from Renewable Sources[1,2]
+12% vs March 2023

24.3 %
Women in Management[1,3]
+0.4bps vs March 2023

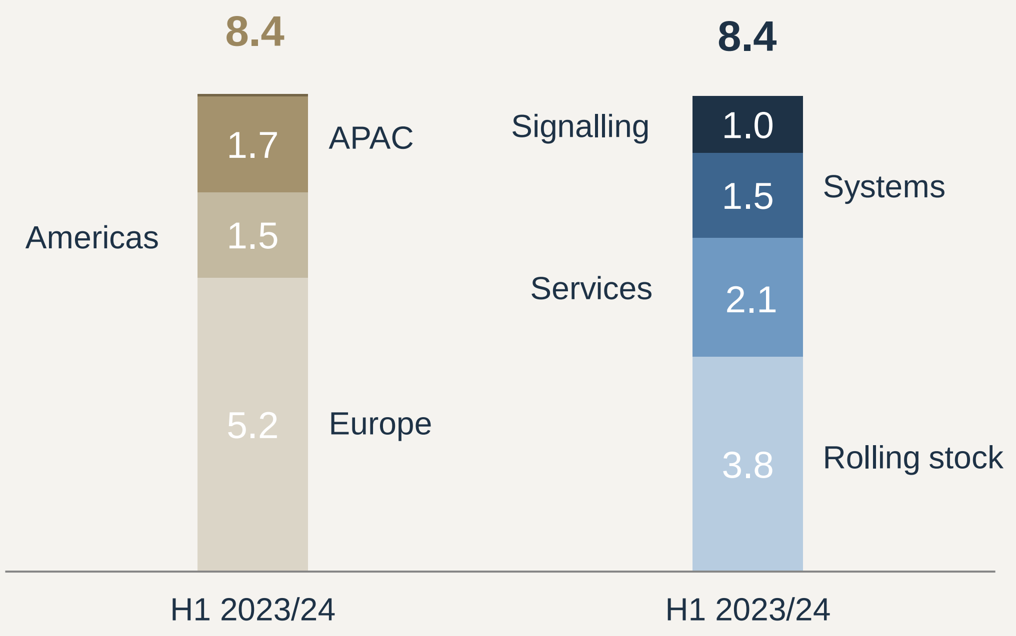
1: Figures unaudited
2. Environmental figures are reported on a calendar year basis: FY 2022/23 corresponds to 2022 calendar year and H1 2023/24 to June 2023 figures. Based on last 12 Rolling Months.
3. Women in Management and professional positions

Book-to-bill at 1 for the first half

ORDERS H1 2023/24 (in €bn)



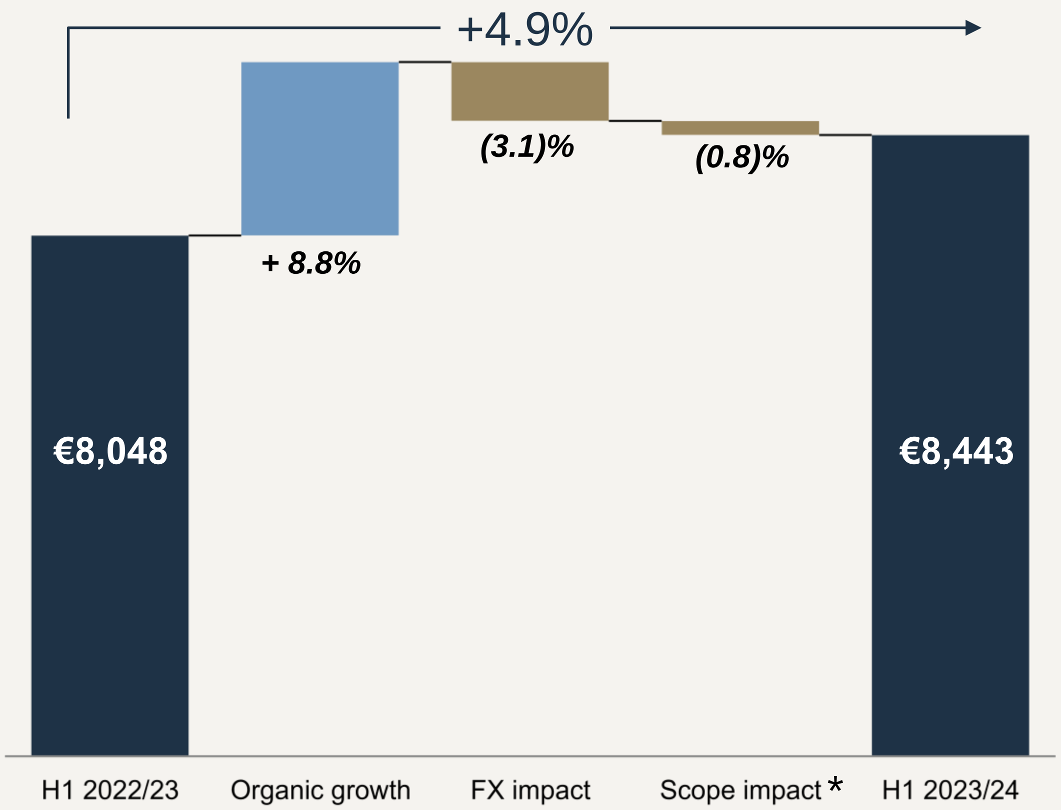
- Book-to-bill 1.0, backlog at €90bn



- Margin and cash on order intake supporting mid-term trajectory

Acceleration of ramp-up during Q2 with organic sales growth at 8.8%

SALES H1 2023/24 (in €m)



** Mostly Rolling stock – disposal of Reichshoffen factory in France due to remedies process*

H1 2023/24 SALES SPLIT BY PRODUCT LINES

ROLLING STOCK: **€4,463m**
(+2% vs H1 2022/23, o/w 6% organic growth)
Ramp-up in the US and Brazil and solid level of execution in the EU, Kazakhstan and India

SERVICES: **€1,986m**
(+10% vs H1 2022/23 , o/w 14% organic growth)
Strong ramp-up in the UK, Italy and US

SIGNALLING: **€1,243m**
(+8% vs H1 2022/23 , o/w 12% organic growth)
Consistent execution across all regions mainly in the EU and APAC

SYSTEMS: **€751m**
(+2% vs H1 2022/23 , o/w 5% organic growth)
Good performance of Turnkey Systems projects in Mexico and Canada

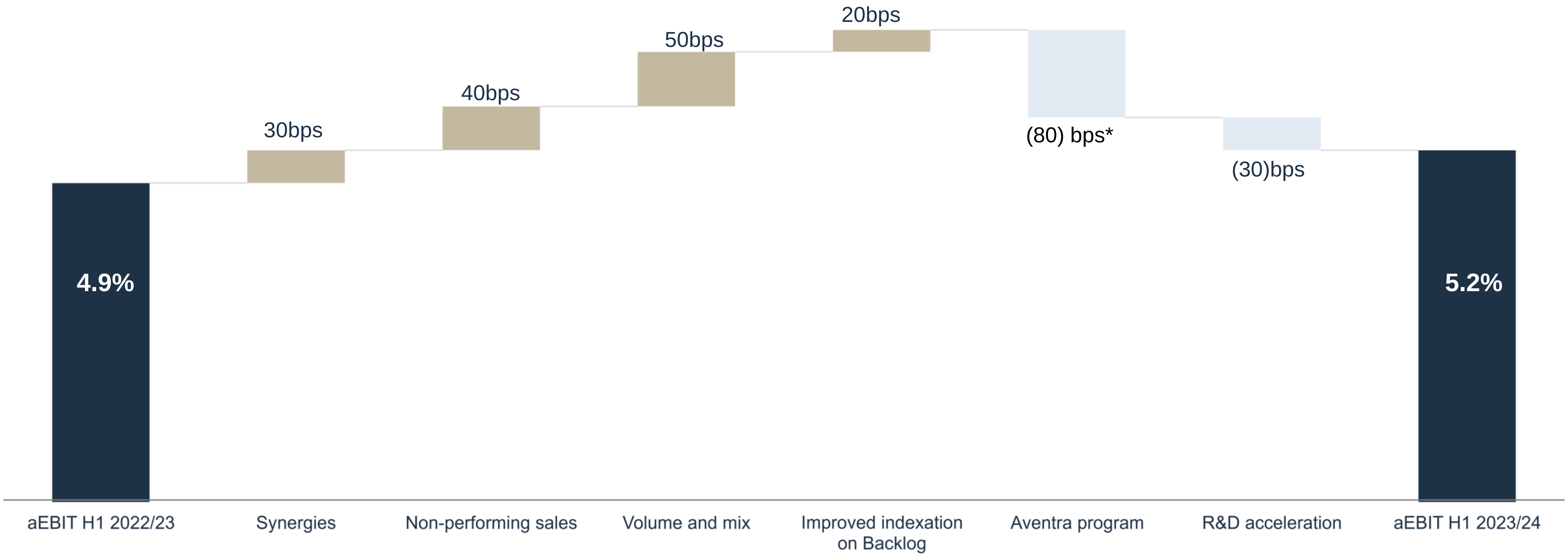
aEBIT in line with preliminary release

(in € million)	**H1 2022/23**	**H1 2023/24**	*Evolution*
Sales	**8,048**	**8,443**	*+4.9%*
Cost of Sales	(6,988)	(7,278)	*+4.1%*
Adjusted Gross Margin before PPA[1] *As a % of sales*	**1,060** *13.2%*	**1,165** *13.8%*	*+60bps*
Research and development expenses before PPA[2] *As a % of sales*	(231) *2.9%*	(254) *3.0%*	*+10.0%*
Selling & Administrative expenses *As a % of sales*	(507) *6.3%*	(538) *6.4%*	*+6.1%*
Net interest in equity investees pickup[3]	75	65	*(13.3)%*
Adjusted EBIT [1]	**397**	**438**	*+10.3%*
Adjusted EBIT margin[1]	***4.9%***	***5.2%***	*+30bps*

1. Definition in Appendix
2. Excluding €(30) million of amortisation expenses of the purchase price allocation of Bombardier Transportation.
3. Definition in Appendix. This mainly includes Chinese joint-ventures

Profit improvement impeded by Aventra

aEBIT (in %)



* Negative gross margin impact

aEBIT to Net Income bridge

(in € million)	H1 2022/23	H1 2023/24	*Evolution*
Sales	**8,048**	**8,443**	*+4.9%*
Adjusted EBIT	**397**	**438**	*+10.3%*
Adjusted EBIT margin	***4.9%***	***5.2%***	*+30bps*
Restructuring and rationalisation costs	(6)	(7)	*+16.7%*
Integration, acquisition and other costs	(116)	(91)	*(21.6)%*
Reversal of net interest in equity investees pickup[1]	(75)	(65)	*(13.3)%*
EBIT before PPA and impairment	**200**	**275**	*+37.5%*
Financial results	(24)	(98)	*x4.1*
Tax results	(48)	(44)	*(8.3)%*
Share in net income of equity investees	62	53	*(14.5)%*
Minority interests from continued op.	(11)	(12)	*+9.1%*
Adjusted Net profit[2]	**179**	**174**	*(2.8)%*
PPA net of tax	(195)	(173)	*(11.3)%*
Net Profit - Continued operations, Group share	**(16)**	**1**	-

o/w Integration costs €65m

FX / hedge and fees + €21m
Interest rates paid + €53m

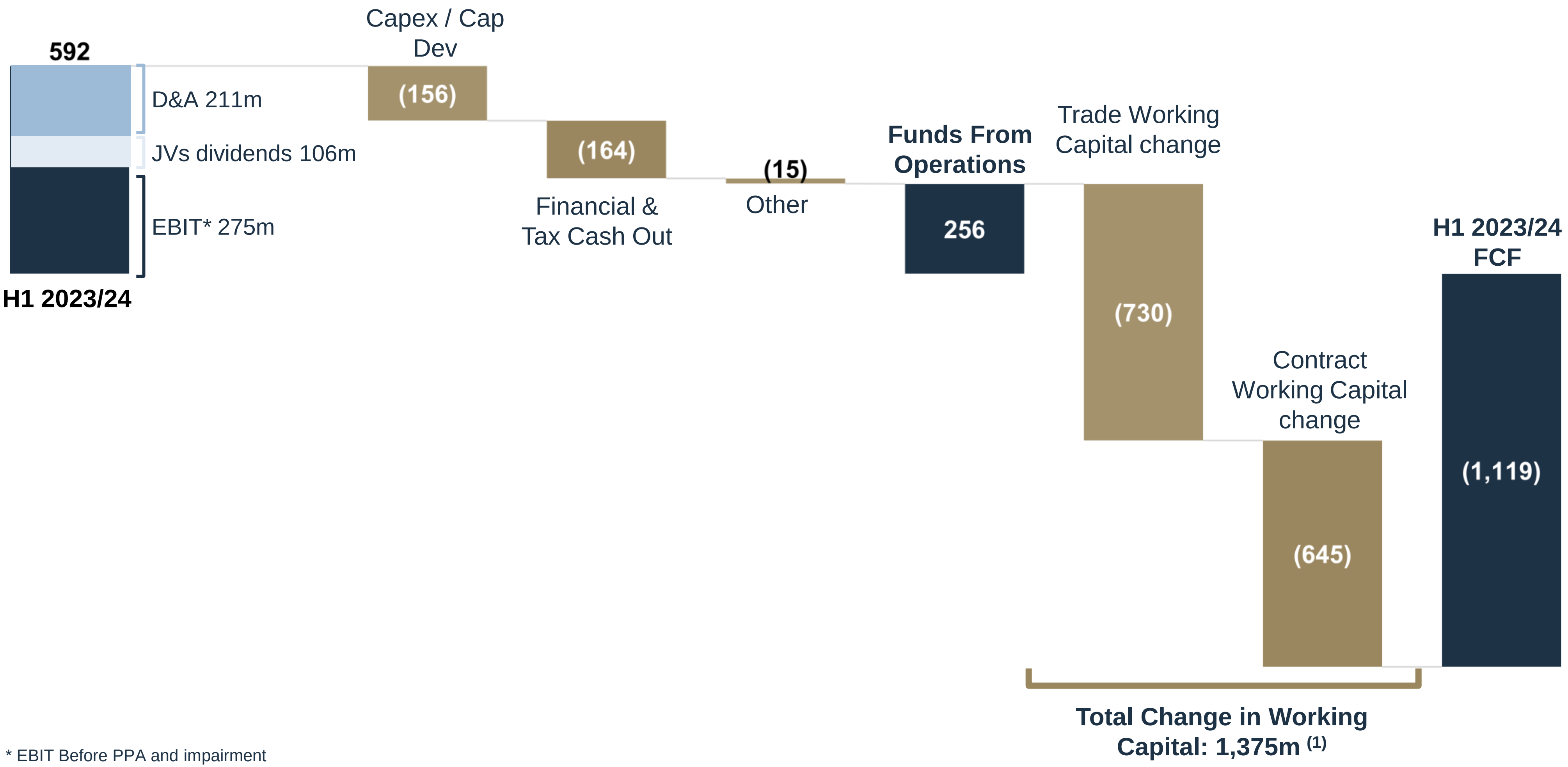
ETR 25%

Chinese JVs stable except FX

1 This mainly includes Chinese joint-ventures
2 Definition in appendix

FCF: heavy impact of Working capital changes, whereas FFO increases

From EBIT* to Free Cash Flow (in € million)



* EBIT Before PPA and impairment

(1) Change in Working Capital (Trade + Contract working capital change) for €(1,375)m corresponds to the €(1,392) million changes in working capital resulting from operating activities disclosed in the condensed interim consolidated financial statements from which the €(15) million variations of restructuring provisions and €(1) million of variation of Tax working capital have been excluded. .

Working Capital evolution

(in € million)	31 March 2023	30 September 2023	*Variation*
Inventories	3,729	4,216	*487*
Trade payables	(3,640)	(4,223)	*(583)*
Trade receivables	2,670	3,019	*349*
Other assets/ liabilities	(2,617)	(2,107)	*510*
Trade Working Capital	**142**	**905**	*+763*
Contract assets	4,533	5,369	*836*
Contracts liabilities	(6,781)	(6,958)	*(177)*
Current provisions	(1,779)	(1,750)	*+29*
Of which Risks on contracts	*(1,182)*	*(1,141)*	*+41*
Contract Working Capital	**(4,027)**	**(3,339)**	*+688*
Total Working Capital	**(3,885)**	**(2,434)**	*+1,451*(1)

Trade working capital *(from 3 to 20 days of sales)*

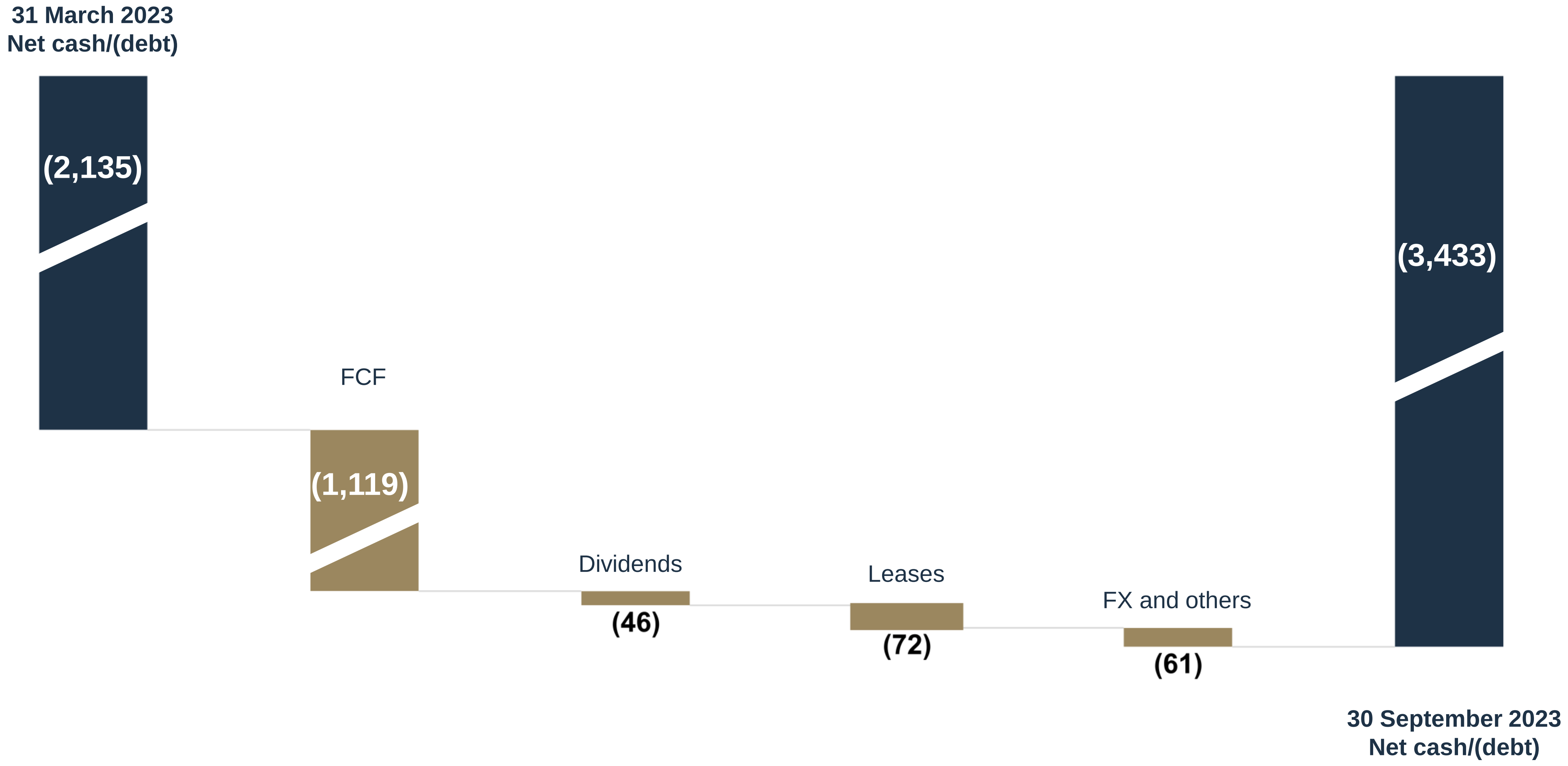
- Strong effect of ramp-up acceleration in Q2 (inventories, receivables and payables) notably in France and Americas
- Reversal of VAT change in rules in France

Contract Working capital *(from (89) to (72) days of sales)*

- Contract assets increase due to Aventra delayed acceptances and production ramp-up
- Contract liabilities driven by downpayments
- Provisions consumption as per plan

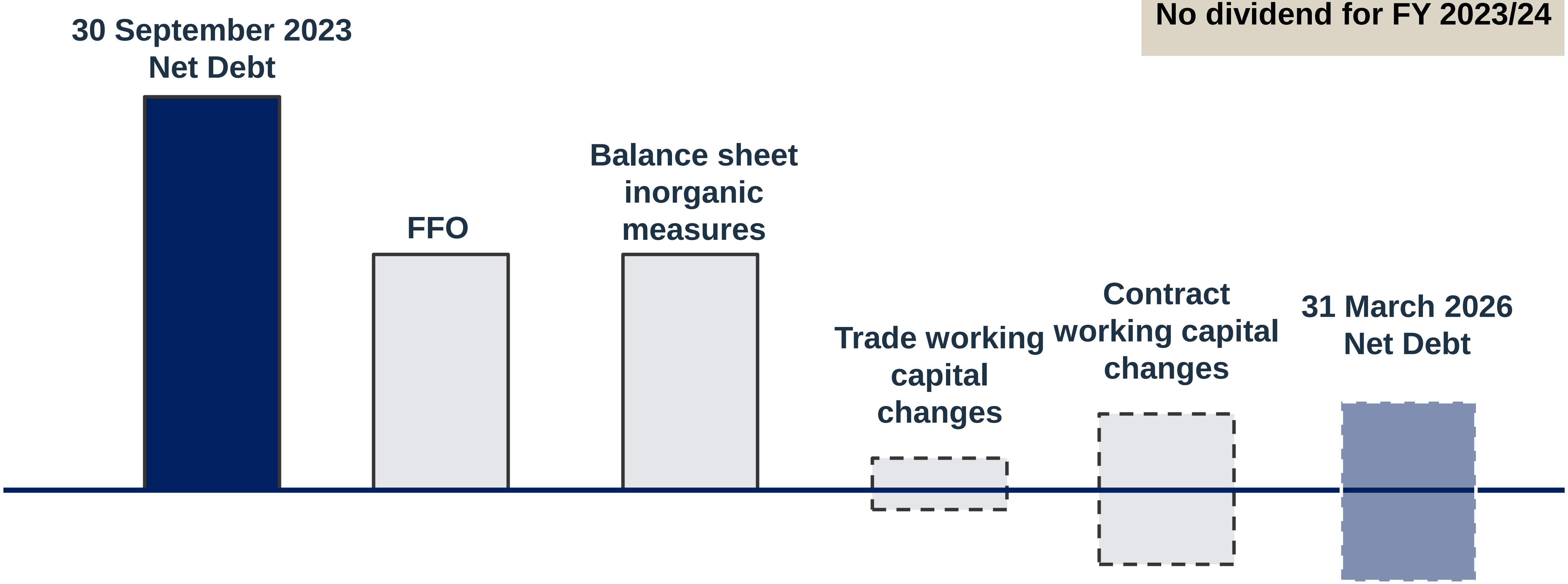
(1) As per note 15, Total changes in working capital for €1,451m include €1,392m changes in working capital resulting from operating activities and €59m Others non-cash, mainly forex.

Net debt evolution (in € million)



Net debt target (in € million)

No dividend for FY 2023/24



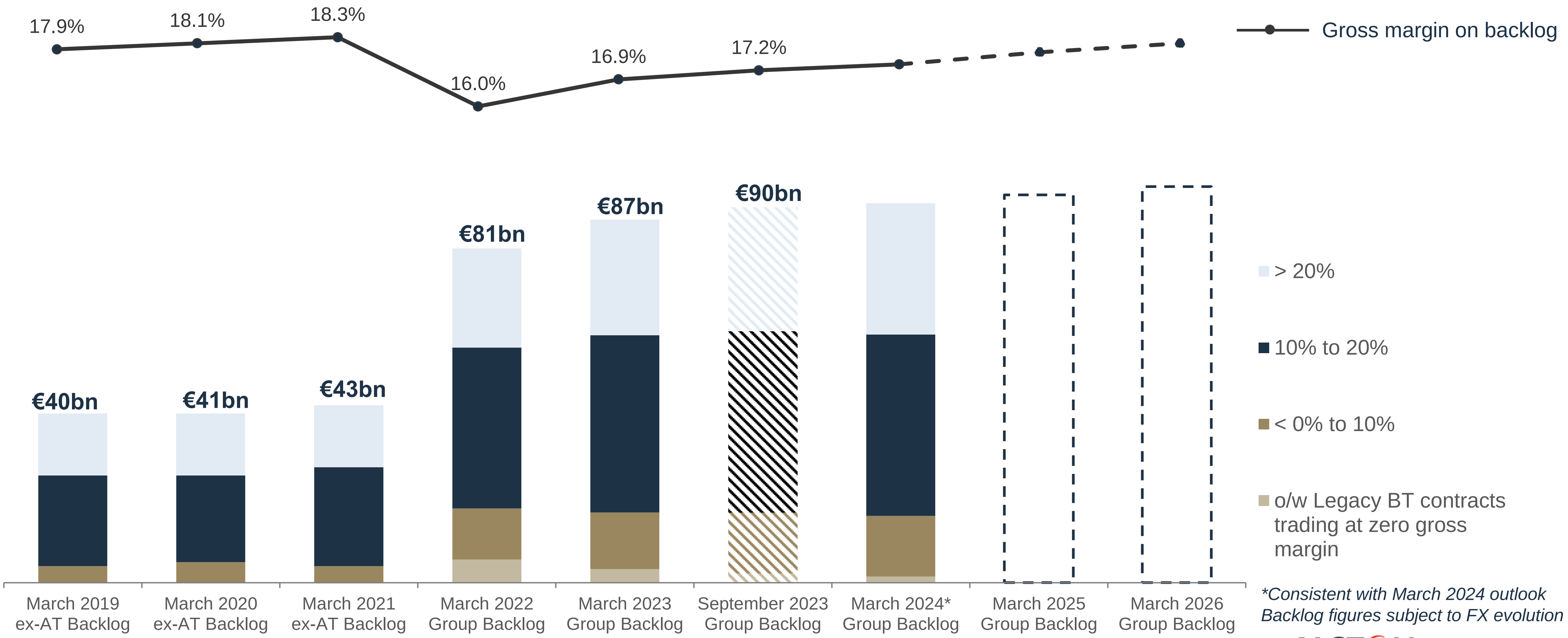
3

Company Action Plan

Henri Poupart-Lafarge
Chairman and CEO

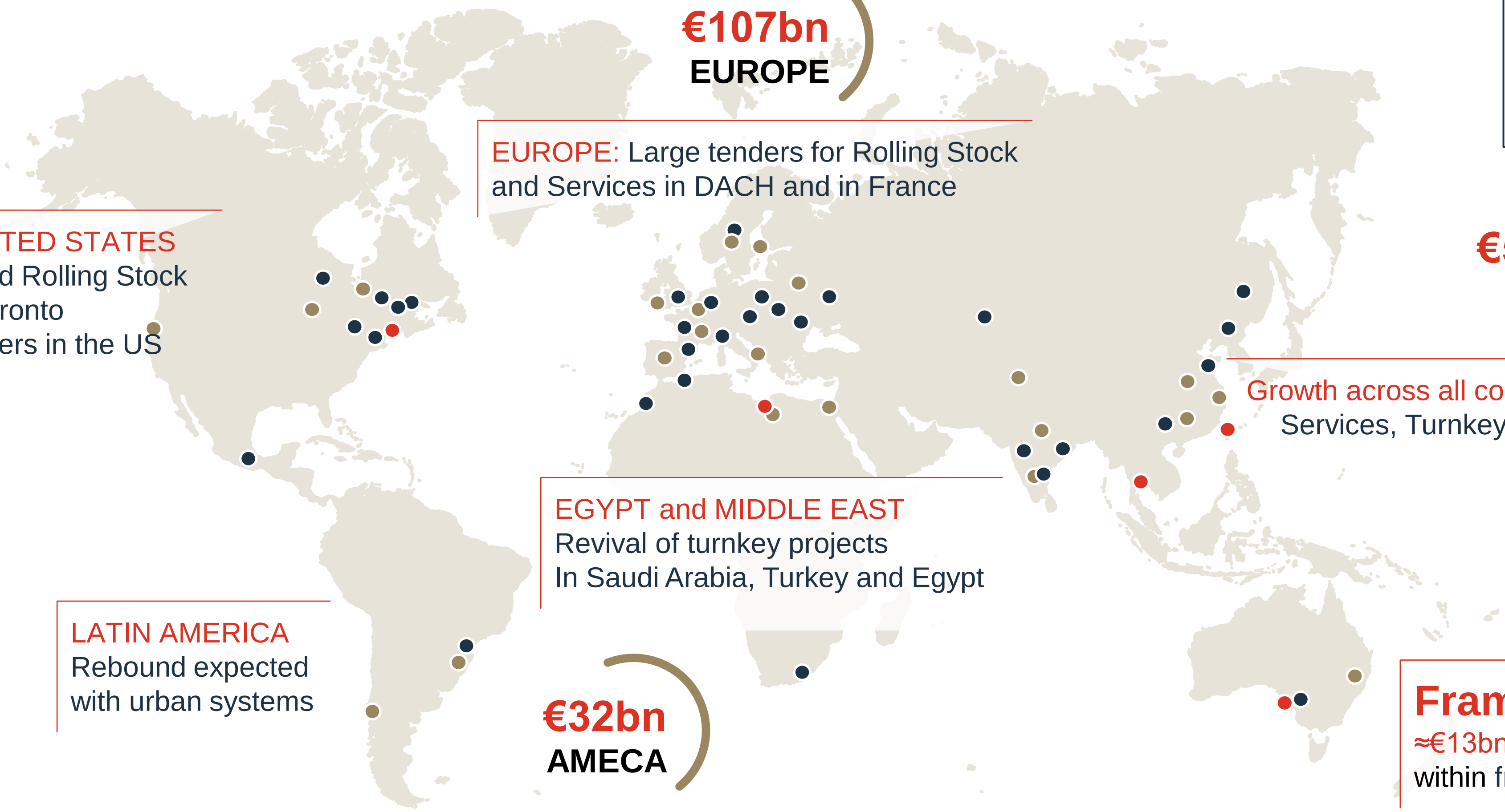
Strong backlog with confirmed GM% improvement trajectory

Backlog Stratification – Gross Margin evolution



**Consistent with March 2024 outlook*
Backlog figures subject to FX evolution

Mid-term market potential >€230bn over next three years, enabling selectivity



€42bn
AMERICAs

CANADA and UNITED STATES
Large Systems and Rolling Stock opportunities in Toronto
Rolling Stock tenders in the US

LATIN AMERICA
Rebound expected with urban systems

€107bn
EUROPE

EUROPE: Large tenders for Rolling Stock and Services in DACH and in France

EGYPT and MIDDLE EAST
Revival of turnkey projects
In Saudi Arabia, Turkey and Egypt

€32bn
AMECA

€50bn
APAC

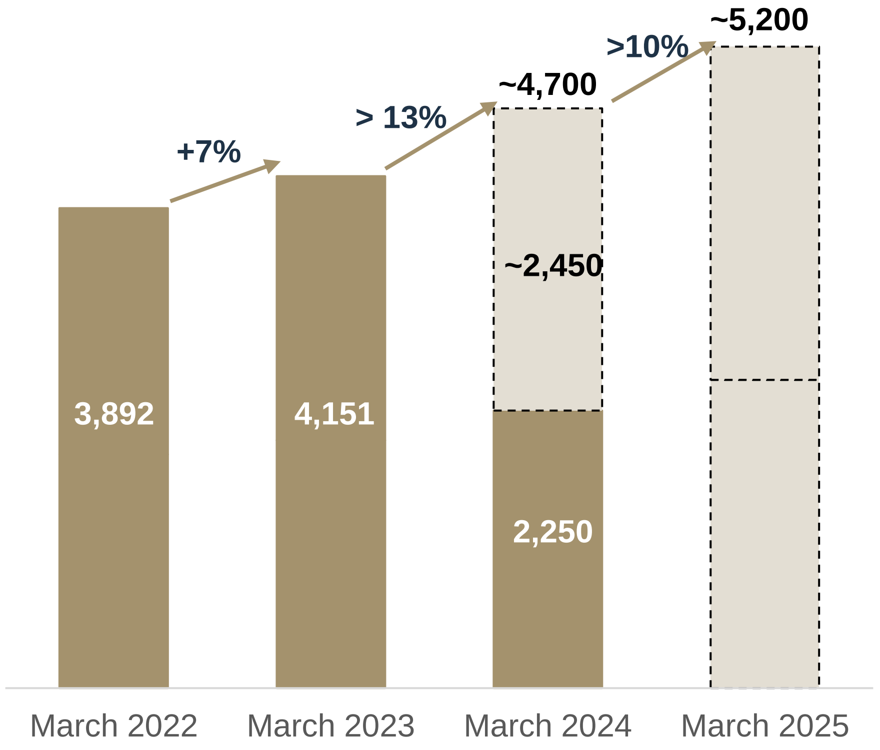
Growth across all countries and product lines
Services, Turnkey Systems, Rolling Stock,
Notably in Australia

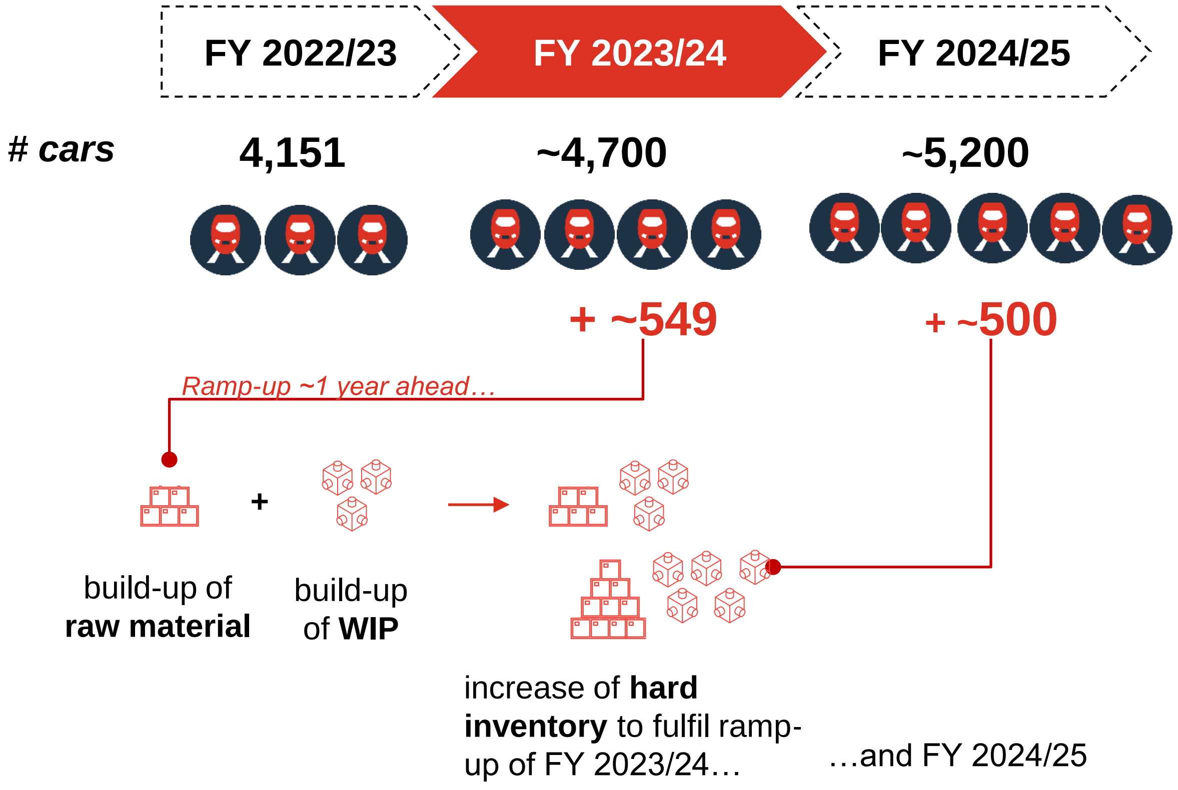
Frame agreements
≈€13bn options to be exercised within frame agreements

Short-term volatility due to macro (interest rates and geopolitics)

Ramp-up acceleration and long lead times is generating inventories

Manufacturing Output

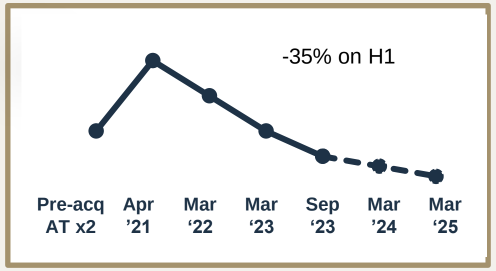




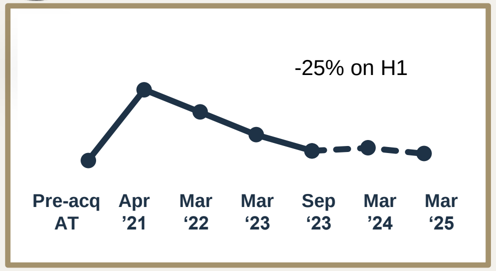
Delivery KPIs still require improvements to reach pre-acquisition level

Quality

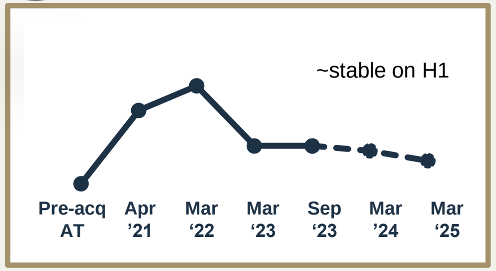
Key open safety issues



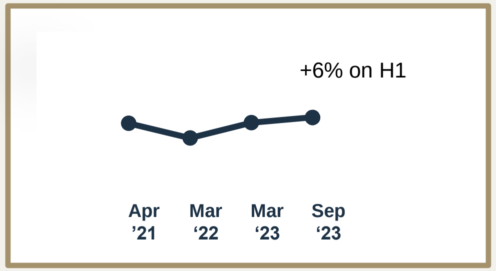
Defects per unit



External Demerit

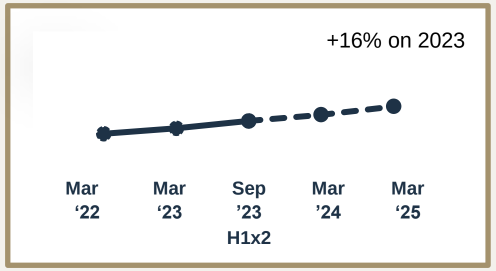


DFQ backlog

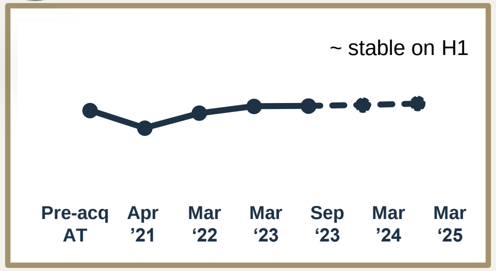


Delivery

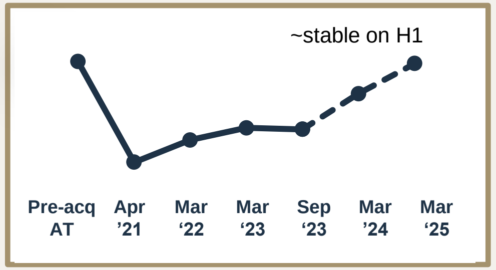
Manufacturing throughput



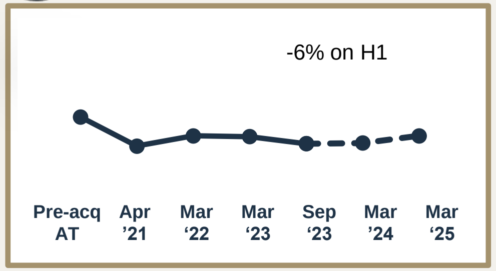
Engineering on-time



Delivery on time



Gate review go on time



Quality well on-track, Delivery performance key focus

Snapshot on Amtrak and Aventra programs

AMTRAK Next Generation
US - High Speed Train

Key numbers / Achievements

- Selling Price €1.5 billion, positive GM – 28 trains
- 8 trains built
- Acceptance 0%

Challenges

- Delay due to lack of experience of authorization for this type of trains in the US
- Disagreement on homologation requirements
- Extension of time discussion (EoT)

Forecast start of revenue service Summer 2024

AVENTRA Platform
UK - Regional Trains
6 contracts – 5 customers

Key numbers / Achievements

- Total Selling Price ~€5 billion, negative GM - 443 trains
- Production 94%
- Payment 87% - Acceptance 75%

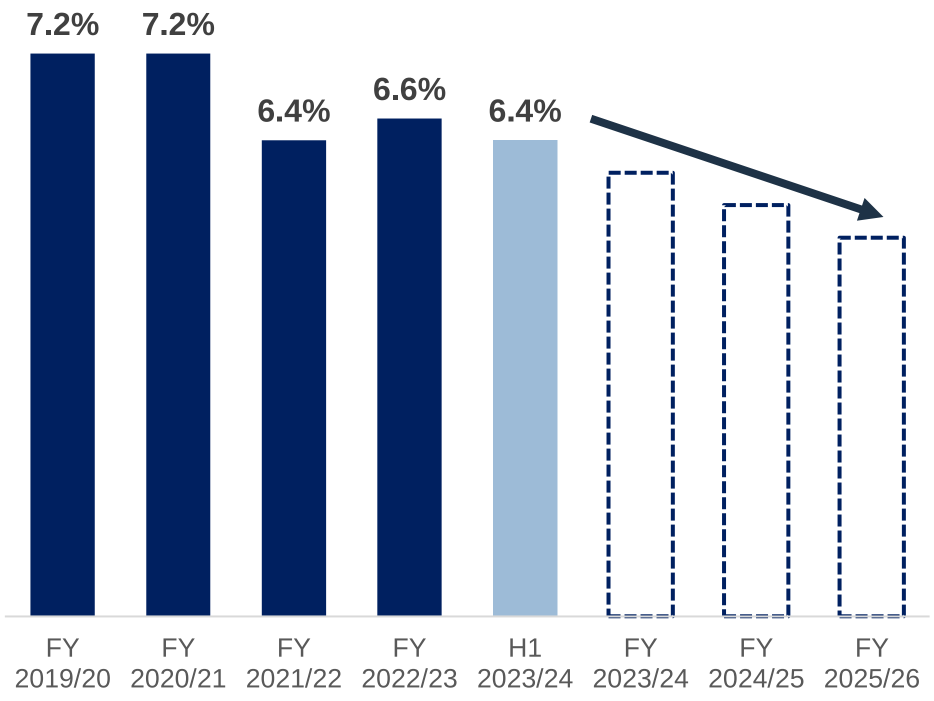
Challenges

- Penalties / claims negotiations
- Reliability growth
- Customers landscape: drivers unions, storage capacity…

Expecting finalization during first half of FY 2024/25

New cost efficiency measures to secure our medium-term profitability trajectory

Selling & administrative expenses (as a % of sales)



- Headcount reduction of ~1,500 FTEs, mainly S&A, out of ~82,000 FTEs as of September 2023.
- Around 1pp S&A / Sales ratio reduction targeted to support Alstom's mid-term aEBIT trajectory
- Associated restructuring costs and payback to be implemented in next three-year plan

New measures towards improving trade working capital efficiency

Trade Working Capital (in days of sales)

- Inventories: targeting reduction from 91 days as of H1 to ~80 days by March 2024, with mid-term target at 75 days

Contract Working Capital (in days of sales)

- Improve Operational KPIs to accelerate acceptance cycle
- Renegotiation of some contracts cash curves

Consolidating Investment Grade profile, delivering profitability and cash trajectory

Commercial and operational action plan

- ✓ Orders selectivity
- ✓ Successful ramp-up
- ✓ On-time delivery restored by FY25
- ✓ Inventory days back to 75 mid-term

Balance sheet strengthening

- ✓ Commitment to Investment Grade
- ✓ €2bn inorganic measures

Costs efficiency

- ✓ ~1,500 S&A FTEs
- ✓ S&A / sales ratio targeting (~1pp)

Governance

- ✓ Organization streamlining
- ✓ Cash driven short-term incentives

Mid-term targets confirmed

FY 2023/24 outlook and mid-term targets confirmed

- Book to bill above 1
- Sales organic growth: above 5%
- aEBIT around 6%
- FCF within the range €(500m) - €(750)m

The Group has based its FY 2023/24 outlook on a central inflation scenario reflecting a consensus of public institutions.

The Group also assumes its continuous ability to navigate the supply chain, macro-economic and geopolitical challenges as it has done during this first half of FY 2023/24.

Mid-term targets
To be reached in FY 2025/26

- Book to bill above 1
- CAGR[1] on Sales above 5%
- aEBIT 8 -10%
- FCF > 80% conversion[2]

1. CAGR between Sales proforma FY 2020/21 and FY 2025/26
2. From FY 2025/26 onwards. Subject to short term volatility

Contacts & Agenda

CONTACTS

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AGENDA

24 January 2024
Third quarter FY 2023/24 orders and sales

15 May 2024
FY 2023/24 results

Financial Calendar

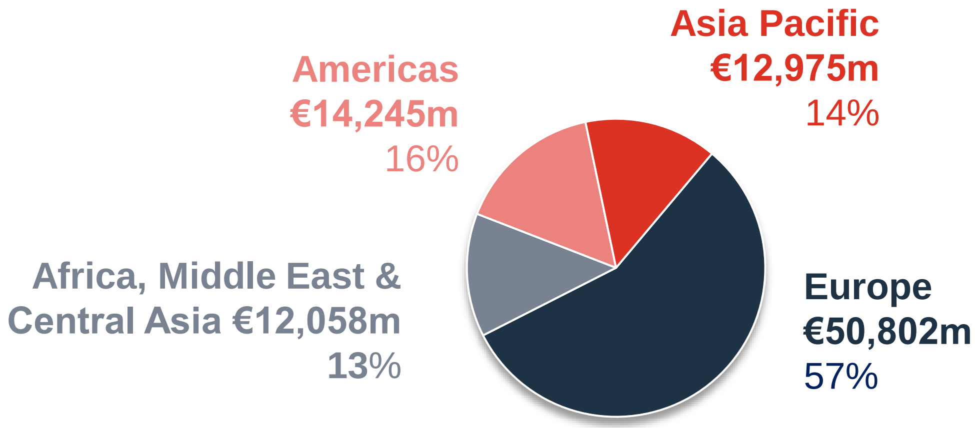
16 November	HY 23/24 roadshow in London – Bank of America	London, UK
17 November	HY 23/24 roadshow in Paris – Kepler Cheuvreux	Paris, France
20 November	HY 23/24 roadshow in Frankfurt – Jefferies	Frankfurt, GERMANY
21 November	HY 23/24 roadshow in Zurich – Jefferies	Zurich, SWITZERLAND
22 November	Asia roadshows (South-East Asia &Australia) – HSBC	Virtual
23 – 24 November	Asia roadshows (Japan & Middle-East) – Mizuho	Virtual
27 November	HY 23/24 roadshow in New-York – ODDO	New York, USA
28 November	HY 23/24 roadshow in Chicago – ODDO	Chicago, USA
29 November	HY 23/24 roadshow in Toronto – Redburn	Toronto, CANADA
29 November	Redburn CEO conference – Redburn	Virtual
29 November	Forum CIC Market Solutions – CIC	Paris, France
30 November	HY 23/24 roadshow in Los Angeles – Redburn	Los Angeles, USA
30 November	The Premium Review conference - Société Générale	Paris, France
1 December	HY 23/24 roadshow in San Francisco – Redburn	San Franciso, USA
1 December	HY 23/24 Fireside Chat with CEO and CFO - CITI	Virtual
4 December	14th European Industrials conference – Goldman Sachs	London, UK
6 December	Asia roadshow (Japan) – Mizuho	Virtual

Q&A session

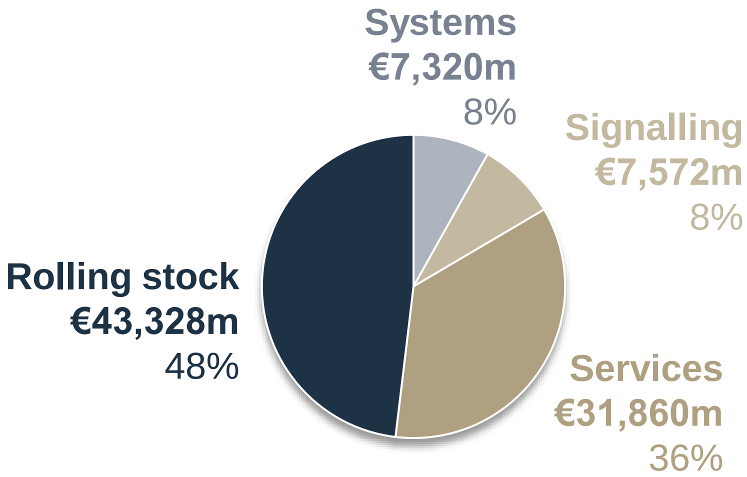
Appendix

HY 2023/24 backlog per regions and product lines

Backlog breakdown per regions (in € million)

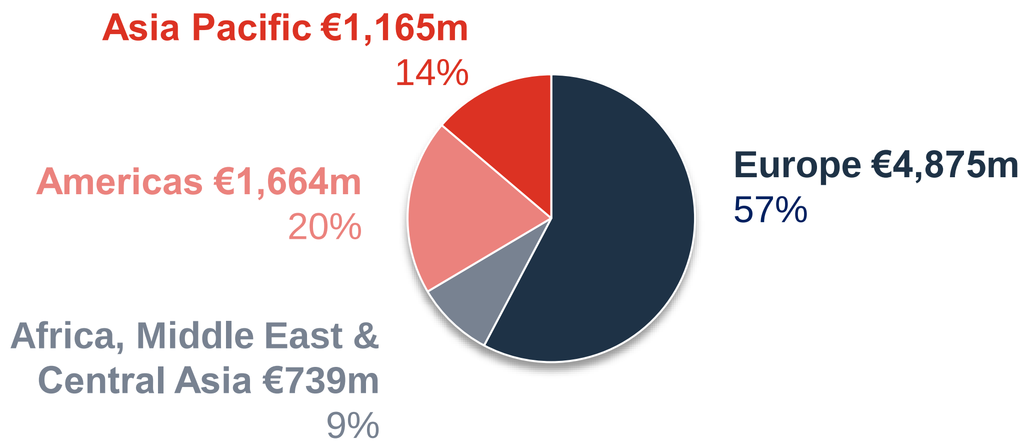


Backlog breakdown per product line (in € million)

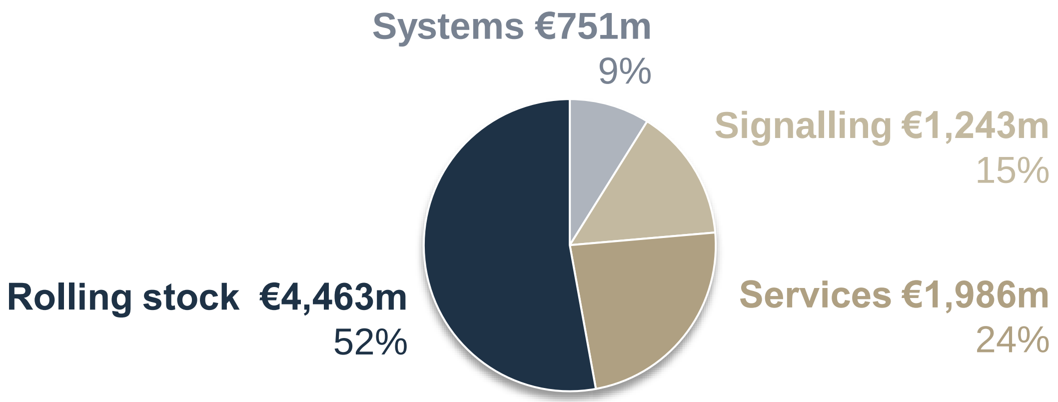


HY 2023/24 Sales per regions and product lines

Sales breakdown per regions (in € million)



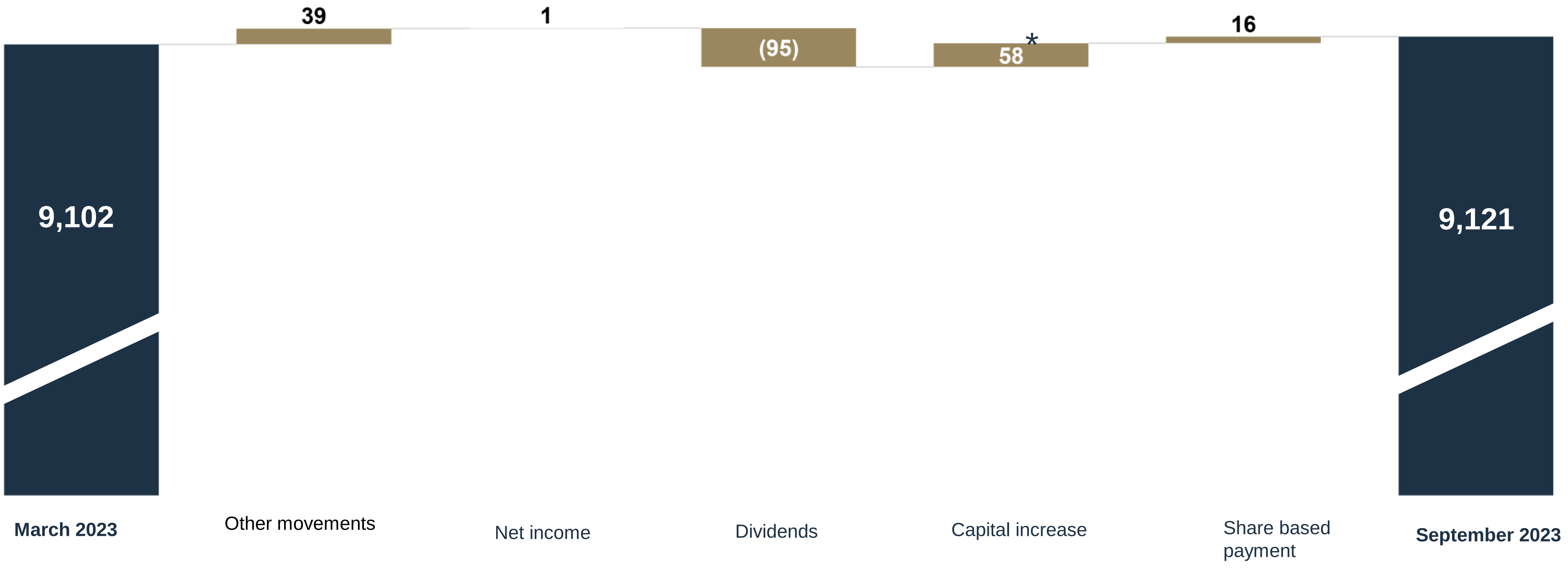
Sales breakdown per product line (in € million)



Sales by currency

Currencies	**H1 2023/24 as a % of sales**
EUR	46.3%
USD	12.5%
GBP	11.5%
INR	5.0%
AUD	4.8%
CAD	3.0%
SEK	2.7%
ZAR	2.6%
MXN	2.2%
KZT	1.2%
BRL	1.2%
Currencies below 1% of sales	7.1%

Equity in € million



*capital increase by issuance of new shares linked with scrip dividend

Bridge consideration – From Entreprise Value to Equity Value

(in € million)		H1 2023/24
Total Gross debt, incl. lease obligations	(1)	**4,897**
Pensions liabilities net of prepaid and deferred tax asset related to pensions	(2)	632
Non controlling interest	(3)	104
Cash and cash equivalents	(4)	(826)
Other current financial assets	(4)	(59)
Other non-current financial assets	(5)	(55)
Net deferred tax liability / (asset)	(6)	(493)
Investments in associates & JVs, excluding Chinese JVs	(7)	(110)
Non-consolidated Investments	(8)	(75)
Bridge		**4,015**

(1) Long-term and short-term debt and Leases (Note 20), excluding the lease to a London metro operator for €109m due to matching financial asset (Notes 14 and 20)
(2) As per Note 22 net of €(25)m of deferred tax allocated to accruals for employees benefit costs
(3) As per balance sheet
(4) As per balance sheet
(5) Other non-current assets: Loans to Non-consolidated Investments for €27m and deposit on a US loan for €28m (Notes 14 and 20)
(6) Deferred Tax asset and Liabilities - as per balance sheet net of €(25)m of deferred tax allocated to accruals for employees benefit costs
(7) JVs - to the extent they are not included in equity pickup / FCF, ie excluding Chinese JVs.
(8) Non-consolidated investments as per balance sheet

Bombardier Transportation PPA provisional amortisation plan

(in € million)	As per P&L Booking [1]
FY 2020/21	(71)
FY 2021/22	(428)
FY 2022/23	(436)
FY 2023/24	(368)
FY 2024/25	(373)
FY 2025/26	(264)
FY 2026/27	(213)
FY 2027/28	(203)
FY 2028/29	(166)
FY 2029/30	(138)
FY 2030/31	(107)
FY 2031/32	(96)
FY 2032/33	(95)
FY 2033/34	(46)
Beyond	(143)

- The Gross PPA amortisation plan will be subject to FX evolution in future years or subject to potential impairments

1. Excludes PPA other than related to the purchase of Bombardier Transportation

Reconciliation between consolidated income statement and the MD&A management view as of 30 September 2023

(in € million)	Total Consolidated Financial Statements (GAAP)	Adjustments (1)	(2)	(3)	Total Consolidated Financial Statements (MD&A view)
30 September 2023					
Sales	**8,443**				**8,443**
Cost of Sales	(7,432)	154			(7,278)
Adjusted Gross Margin before PPA & impairment (*)	**1,011**	**154**	**-**	**-**	**1,165**
R&D expenses	(284)	30			(254)
Selling expenses	(180)	-			(180)
Administrative expenses	(358)	-			(358)
Equity pick-up	-			65	65
Adjusted EBIT (*)	**189**	**184**	**-**	**65**	**438**
Other income / (expenses)	(98)				(98)
Equity pick-up (reversal)	-	-	-	(65)	(65)
EBIT / EBIT before PPA & impairment (*)	**91**	**184**	**-**	**-**	**275**
Financial income (expenses)	(98)				(98)
Pre-tax income	**(7)**	**184**	**-**	**-**	**177**
Income tax Charge	(28)	(16)	-		(44)
Share in net income of equity-accounted investments	48	5			53
Net profit (loss) from continued operations	**13**	**173**	**-**	**-**	**186**
Net profit (loss) attributable to non controlling interests (-)	(12)				(12)
Net profit (loss) from continued operations (Group share) / Adjusted Net Profit (loss) (*)	**1**	**173**	**-**	**-**	**174**
Purchase Price Allocation (PPA) & impairment net of corresponding tax effect	-	(173)			(173)
Net profit (loss) from discontinued operations	-				-
Net profit (Group share)	**1**	**-**	**-**	**-**	**1**

Adjustments as of 30 September 2023:

1. Impact of business combinations: amortisation of assets exclusively valued when determining the purchase price allocation (PPA), including net income of equity accounted investments, and including corresponding tax effect;

2. Impact of business combinations: impairment of assets exclusively valued when determining the purchase price allocation (PPA) (see Note 3.6 of the financial statements), including corresponding tax effect – no impact this semester;

3. Reclassification of share in net income of the equity-accounted investments when these are considered to be part of operating activities of the Group

Reconciliation between consolidated income statement and the MD&A management view as of 30 September 2022

(in € million)	Total Consolidated Financial Statements (GAAP)	Adjustments (1)	(2)	(3)	(4)	Total Consolidated Financial Statements (MD&A view)
30 September 2022						
Sales	**8,048**					**8,048**
Cost of Sales	(7,168)	178		2		(6,988)
Adjusted Gross Margin before PPA & impairment (*)	**880**	**178**	**-**	**2**	**-**	**1,060**
R&D expenses	(261)	30				(231)
Selling expenses	(178)	-				(178)
Administrative expenses	(329)	-				(329)
Equity pick-up	-				75	75
Adjusted EBIT (*)	**112**	**208**	**-**	**2**	**75**	**397**
Other income / (expenses)	(120)			(2)		(122)
Equity pick-up (reversal)	-	-	-	-	(75)	(75)
EBIT / EBIT before PPA & impairment (*)	**(8)**	**208**	**-**	**-**	**-**	**200**
Financial income (expenses)	(24)					(24)
Pre-tax income	**(32)**	**208**	**-**	**-**	**-**	**176**
Income tax Charge	(29)	(19)				(48)
Share in net income of equity-accounted investments	56	6				62
Net profit (loss) from continued operations	**(5)**	**195**	**-**	**-**	**-**	**190**
Net profit (loss) attributable to non controlling interests (-)	(11)					(11)
Net profit (loss) from continued operations (Group share) / Adjusted Net Profit (loss) (*)	**(16)**	**195**	**-**	**-**	**-**	**179**
Purchase Price Allocation (PPA) & impairment net of corresponding tax effect	-	(195)				(195)
Net profit (loss) from discontinued operations	(5)					(5)
Net profit (Group share)	**(21)**	**-**	**-**	**-**	**-**	**(21)**

Adjustments as of 30 September 2022:

1. Impact of business combinations: amortisation & impairment of assets exclusively valued when determining the purchase price allocation (PPA), including net income of equity accounted investments, and including corresponding tax effect;
2. Impact of Aptis closure: reclassification of operational results as non-recurring items following Alstom's announced and planned discontinuance of Aptis activities;
3. Reclassification of other operational costs to non-recurring items – none for the fiscal year 2021/22;
4. Reclassification of share in net income of the equity-accounted investments when these are considered to be part of operating activities of the Group

Appendix - Non-GAAP financial indicators definitions (1/3)

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

- **Orders received**

A new order is recognised as an order received only when the contract creates enforceable obligations between the Group and its customer. When this condition is met, the order is recognised at the contract value. If the contract is denominated in a currency other than the functional currency of the reporting unit, the Group requires the immediate elimination of currency exposure using forward currency sales. Orders are then measured using the spot rate at inception of hedging instruments.

- **Book-to-Bill**

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

- **Adjusted Gross Margin before PPA**

Adjusted Gross Margin before PPA is a Key Performance Indicator to present the level of recurring operational performance. It represents the sales minus the cost of sales, adjusted to exclude the impact of amortisation of assets exclusively valued when determining the purchase price allocations (“PPA”) in the context of business combination as well as non-recurring “one off” items that are not supposed to occur again in following years and are significant.

- **Adjusted EBIT**

Adjusted EBIT (“aEBIT”) is the Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with market practice and comparable to direct competitors.

Starting September 2019, Alstom has opted for the inclusion of the share in net income of the equity-accounted investments into the aEBIT when these are considered to be part of the operating activities of the Group (because there are significant operational flows and/or common project execution with these entities). This mainly includes Chinese joint-ventures, namely CASCO, Alstom Sifang (Qingdao) Transportation Ltd, Jiangsu ALSTOM NUG Propulsion System Co. Ltd. (former Bombardier NUG Propulsion) and Changchun Changke Alstom Railway Vehicles Company Ltd.

aEBIT corresponds to Earning Before Interests and Tax adjusted for the following elements:

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

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

Adjusted EBIT margin corresponds to Adjusted EBIT expressed as a percentage of sales.

Appendix - Non-GAAP financial indicators definitions (2/3)

- **EBIT before PPA**

Following the Bombardier Transportation acquisition and with effect from the fiscal year 2021/22 condensed consolidated financial statements, Alstom decided to introduce the “EBIT before PPA” indicator aimed at restating its Earnings Before Interest and Taxes (“EBIT”) to exclude the impact of amortisation of assets exclusively valued when determining the purchase price allocations (“PPA”) in the context of business combination. This indicator is also aligned with market practice.

- **Adjusted net profit**

The “Adjusted Net Profit” indicator aims at restating the Alstom’s net profit from continued operations (Group share) to exclude the impact of amortisation & impairment of assets exclusively valued when determining the purchase price allocations (“PPA”) in the context of business combination, net of the corresponding tax effect.

- **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. Free Cash Flow does not include any 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.

- **Net cash/(debt)**

The net cash/(debt) is defined as cash and cash equivalents, marketable securities and other current financial asset, less borrowings

- **Organic basis**

This presentation includes performance indicators presented on an actual basis and on an organic basis. Figures given on an organic basis eliminate the impact of changes in scope of consolidation and changes resulting from the translation of the accounts into Euro following the variation of foreign currencies against the Euro.

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

Appendix - Non-GAAP financial indicators definitions (3/3)

- **Gross margin % on backlog**

Gross Margin % on backlog is a Key Performance Indicator to present the expected performance level of firmed contracts in Backlog. It represents the difference between the sales not yet recognized and the cost of sales not yet incurred from the contracts in Backlog. This % is an average of the portfolio of contracts in backlog and is meaningful to project mid and long term profitability.

- **EBITDA + JV dividends**

EBITDA + JV dividends is the EBIT before PPA, before the depreciation and amortisation, with the addition of the dividends received from the JVs.

- **Funds from Operations**

Funds from Operations “FFO” in the EBIT to FCF statement refers to the Free Cash Flow generated by Operations, less Working Capital variations.

- **Trade Working Capital and Contract Working Capital**

Trade Working Capital is the Working Capital that is not strictly contractual, hence not included in Project Working Capital. It includes:

- Inventories
- Trade Receivables
- Trade Payables
- Other elements of Working Capital, defined as the sum of Other Current Assets/Liabilities and Non-Current provisions

Contract Working Capital is the sum of:

- Contract Assets & Liabilities, which includes the Customer Down-Payments
- Current provisions, which includes Risks on contracts and Warranties

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