

In the first half of 2012/13

Alstom delivered according to plan

Between 1 April and 30 September 2012, Alstom booked a sound level of orders at €12.1 billion, up 19% compared to the first half of last year, driven in particular by a strong semester for Transport. Over the same period, sales were up 4%, amounting to €9.7 billion. Income from operations increased to €703 million, leading to a 7.2% margin or a 50 basis point improvement. The net result stood at €403 million and the free cash flow turned positive at €101 million.

Key figures

(in € million)	30 September 2011	30 September 2012	% Var. Sept 12 / Sept 11
<i>Actual figures</i>			
Orders received	10,183	12,129	+19%
Backlog	47,382	52,015	+10%
Sales	9,389	9,748	+4%
Income from operations	627	703	+12%
Operating margin	6.7%	7.2%	-
Net income	363	403	+11%
Free cash flow	(914)	101	-

“In a still challenging economic environment, the Group achieved a sound commercial performance during the first half of 2012/13 with orders up 19%, leading to a book-to-bill above 1 for the fourth consecutive semester. Recovery of sales combined with strict cost control and good execution of contracts enabled the operating margin to improve to 7.2%. Free cash flow turned positive at €101 million. Thanks to these good results, we are on track with our three-year guidance: sales should grow over 5% per year for this fiscal year and the two following ones, the operating margin should gradually improve to around 8% in March 2015 and the free cash flow should be positive in each of the three fiscal years”, said Patrick Kron, Alstom’s Chairman & Chief Executive Officer.

A challenging world

During the first six months of 2012/13, the macro-economic conditions have remained challenging with a sluggish economic environment in mature countries and a slower growth in some emerging countries.

In power generation, demand in coal technologies remains stable, coming mainly from Asia while gas progressively increases its share despite the absence of recovery in mature countries. Thermal services and environmental control systems continue to show good dynamism. As for renewable, hydro market is temporary affected by a lack of major projects. Onshore wind remains under significant price pressure, while offshore wind shows favourable prospects.

The power transmission market still presents a mixed outlook with overcapacity in transformers and a good momentum in high-end segments (power electronics, smart grids).

Finally, demand for rail transport continues to be sound, supported by urban needs in Europe and expansion in developing countries.

Sound level of orders

Orders booked over the first half of 2012/13 amounted to €12.1 billion, a 19% increase from the same period last year, driven by the very strong commercial performance of Transport. On 30 September 2012, the Group's backlog amounted to €52 billion, representing 31 months of sales.

During the semester, Thermal Power booked 5 gas turbines (2 in Israel, 2 in the UK and 1 in China) as well as several equipment orders for both coal and nuclear, and continued to benefit from a strong activity in environmental control systems and in thermal services.

Renewable Power recorded a sound performance in the wind business (notably in Brazil) but only small and medium-sized hydropower projects.

Grid recorded a high level of orders with €2.2 billion of contracts including a strategic 800 kV ultra high voltage direct current (UHVDC) contract in India.

Transport registered its best commercial semester since 2008. Commercial activity remained sustained in Western Europe with, in particular, a signalling system in Amsterdam, regional trains in Germany and Sweden, high-speed trains in Switzerland as well as suburban trains and metros in France. In emerging countries, Alstom booked two metro contracts in Latin America.

Operational performance improving

Sales in the first half of 2012/13 amounted to €9.7 billion, compared to €9.4 billion for the first half of 2011/12, representing a 4% increase, with Thermal Power and Transport up, respectively 5% and 13%. Renewable Power's revenues decreased by 17% due to much lower revenues during this period for large hydro contracts in execution in Latin America. Grid's sales remained stable.

Supported by improved sales, sound project execution and strict cost control, the income from operations increased to €703 million, up 12% compared to the same period last year, whilst the operating margin went up 50 basis points to 7.2% for the first half of 2012/13. The operating margin in Thermal Power moved from 9.2% to 10.6%, benefiting mainly from good project execution, actions on costs and sales ramp-up. Renewable Power's margin decreased from 7.3% to 5.7% , affected by lower volumes as well as price erosion in wind. Grid's operating margin increased from 5.8% in the first half of last year to 6.1% as a result of overall good execution of projects together with cost optimisation. In Transport the operating margin increased from 5.0% to 5.3%, thanks to the recovery of sales.

Net profit amounted to €403 million compared with €363 million in the first half of 2011/12, up 11%. This figure included a contribution of €34 million from Transmashholding compared with €15 million for the same period last year.

Positive free cash flow and sound financial structure

Free cash flow turned positive at €101 million during the first half of 2012/13, showing a marked improvement compared to the same period last year when it was negative at €(914) million.

Following the payment of the dividend, the Group's net financial debt reached €(2,871) million at 30 September 2012 versus €(2,492) million at 31 March 2012 and €(2,748) million at 30 September 2011.

Equity was stable over the period, standing at €4,449 million at 30 September 2012 from €4,434 million at 31 March 2012.

With a gross cash in hands of €1.6 billion at the end of September 2012, an undrawn credit line of €1.35 billion and a schedule of gradual repayment of the debt starting in September 2014, the balance sheet remains strong.

On 1 October 2012, the Group launched a €350 million share capital increase through an accelerated book building. On 4 October 2012, Alstom launched a new bond issuance of €350 million. It will bear an annual coupon of 2.25% and mature in October 2017. These two financing transactions contributed to maintaining the sound financial structure of the Group.

Consolidating position in key technologies and regions

During the first half of 2012/13, Alstom pursued its policy of partnerships and selective acquisitions and continued to invest in research & development and capital expenditures to reinforce its presence in dynamic markets.

To strengthen its portfolio of marine products and technologies, Renewable Power signed an agreement with Rolls-Royce in September 2012 to acquire its wholly-owned subsidiary Tidal Generation Ltd (TGL). TGL is at the forefront of the design, development and manufacture of tidal stream turbines which capture and convert the energy of tidal streams to generate electrical power.

In September 2012, Grid signed a memorandum of understanding with Toshiba Corporation to develop cooperation on smart grid, more specifically on systems supporting wide-scale integration of renewable energy sources into the grid.

Alstom increased its research and development expenses to €351 million during the first semester, with a continuing focus on gas turbines, new renewable energies, smart grid and energy management as well as transport technologies adapted to urban needs.

At €186 million, capital expenditures remained at a high level, the four Sectors pursuing their investments, particularly in emerging markets.

Three-year guidance reiterated

The Group confirms its guidance of a sales growth of over 5% per year for this fiscal year and the two following ones and a gradual improvement of the operating margin which should be at around 8% in March 2015. It also confirms that the free cash flow should be positive in each of the three fiscal years.

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The half-year financial report can be found on Alstom's website at www.alstom.com.

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