

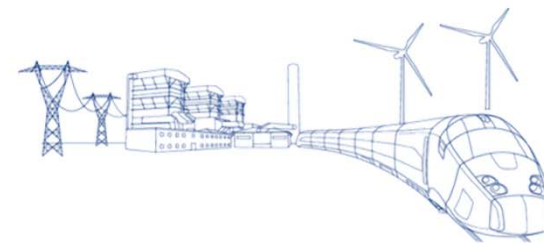
# Half-Year Results

## Fiscal year 2014/15

5 November 2014

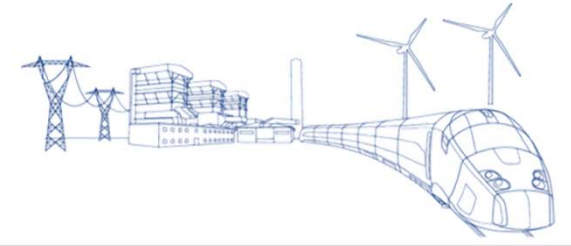


# Key takeaways



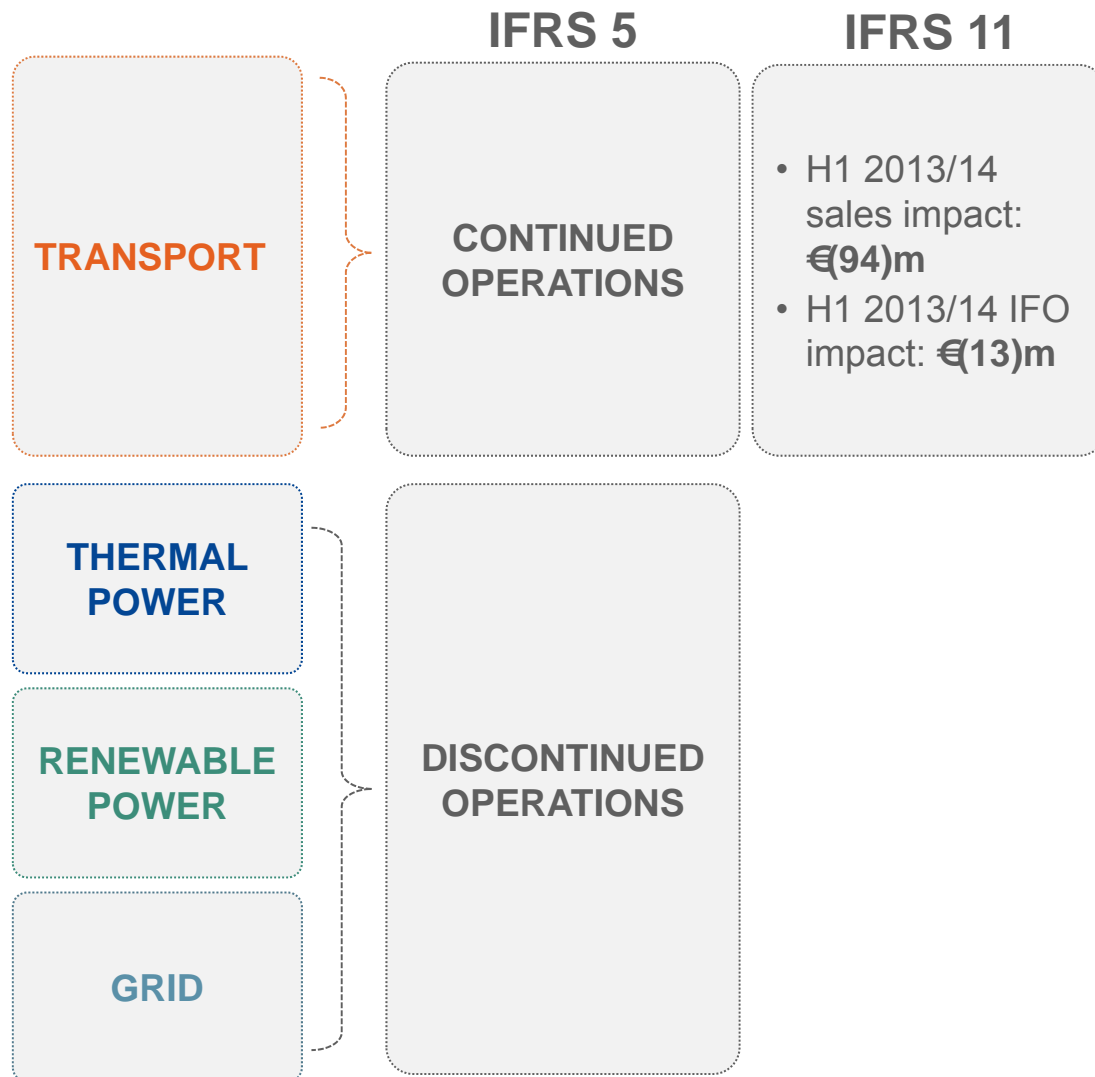
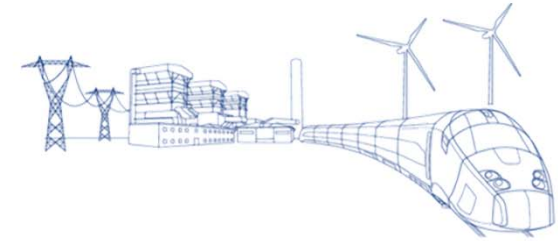
- H1 2014/15 results
  - **Transport** showing **solid operational performance**
    - Orders more than doubling, organic sales growth of 13%
    - IFO margin (including corporate costs) improving by 30bps to 5%
  - **Energy** businesses classified as **discontinued operations** (IFRS 5)
  - FCF at €(1,376) million affected by negative impact of lower Energy sales on progress payments as well as adverse cash profile of some projects over the period
- Update on General Electric / Alstom project
  - Completion of the information – consultation with works councils
  - Master and JVs agreements signed
  - **EGM to be called on 19 December 2014**
- Alstom guidance set up for current year and mid-term

# Agenda



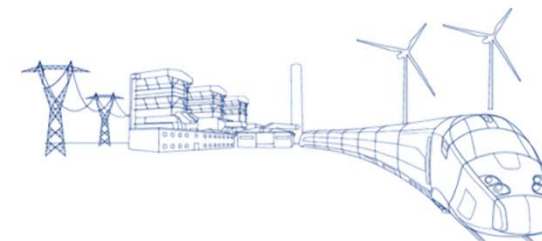
- **H1 2014/15 results**
- Update on GE / Alstom project
- Transport strategy and perspectives

# Alstom H1 Results – application of IFRS 5 & 11



- IFRS 11- two JVs: in China and in the UK (signalling) now included in *Share in net income of equity investees (previously proportionate consolidation)*
- Some corporate costs allocated to Alstom and now included in IFO (-50bps of impact)
- Up to closing, Alstom supporting high transitory financial expenses

# H1 2014/15 key figures



## Record orders and margin improvement

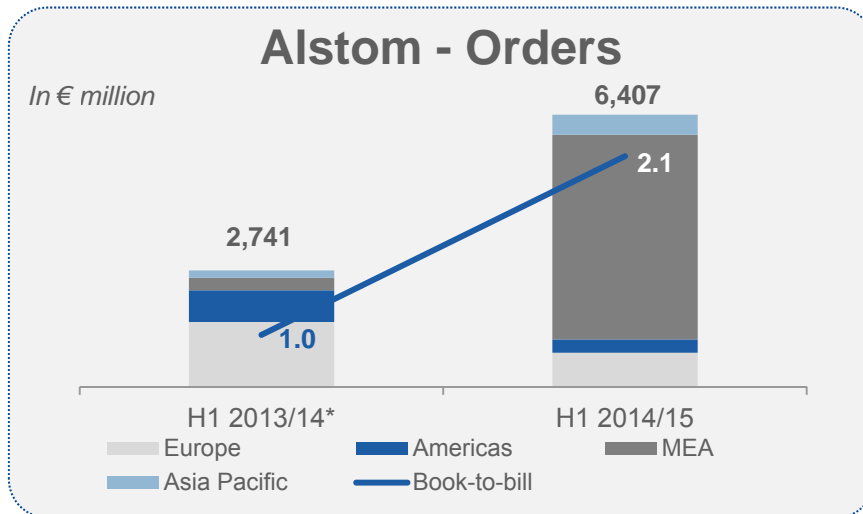
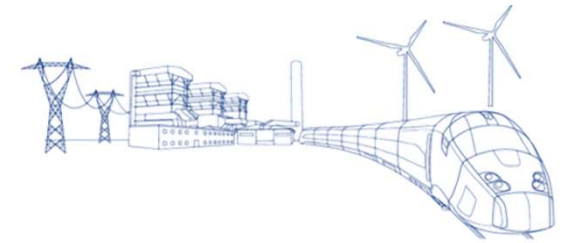
<i>In € million</i>	H1 2013/14*	H1 2014/15	% change	% change organic
Orders	2,741	<b>6,407</b>	134%	136%
Sales	2,702	<b>3,056</b>	13%	13%
IFO **	126	<b>152</b>	21%	
Operating margin	4.7%	<b>5.0%</b>		
<b>Net income – Cont. operat°s.</b>	<b>105</b>	<b>29</b>	(72)%	
Net income – Discont. operat°s	270	<b>226</b>	(16)%	
Net income – Group share	375	<b>255</b>	(32)%	
<b>Free cash flow *** – Cont. operat°s</b>	<b>16</b>	<b>(85)</b>		
Free cash flow *** – Discont. operat°s	(322)	<b>(1,010)</b>		
Free cash flow	(503)	<b>(1,376)</b>		

\* Adjusted after IFRS 5 and IFRS 11

\*\* After corporate costs

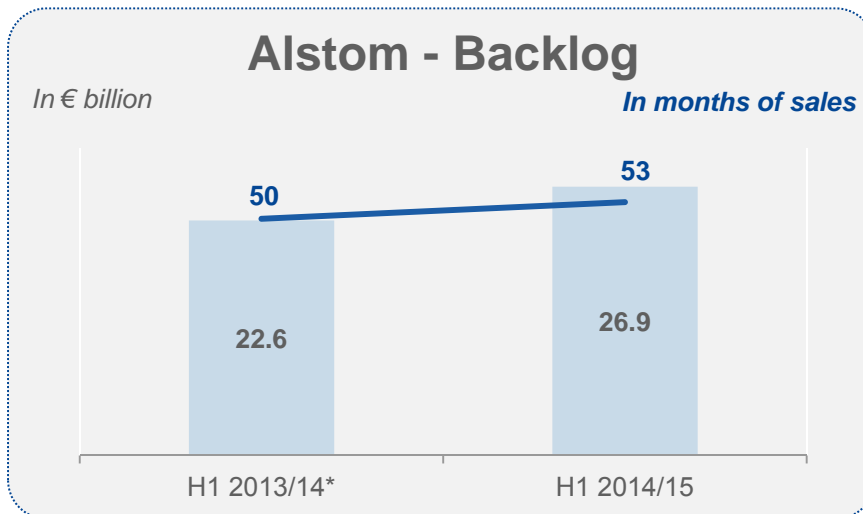
\*\*\* Before tax and financial cash-out

# Strong Alstom orders – boosted by large projects



## Strong order intake

- Booking of a jumbo rail contract for suburban trains in South Africa (around €4 billion)
- Benefiting from strong demand for urban products and systems
- Emerging markets remaining dynamic, notably Middle-East/Africa

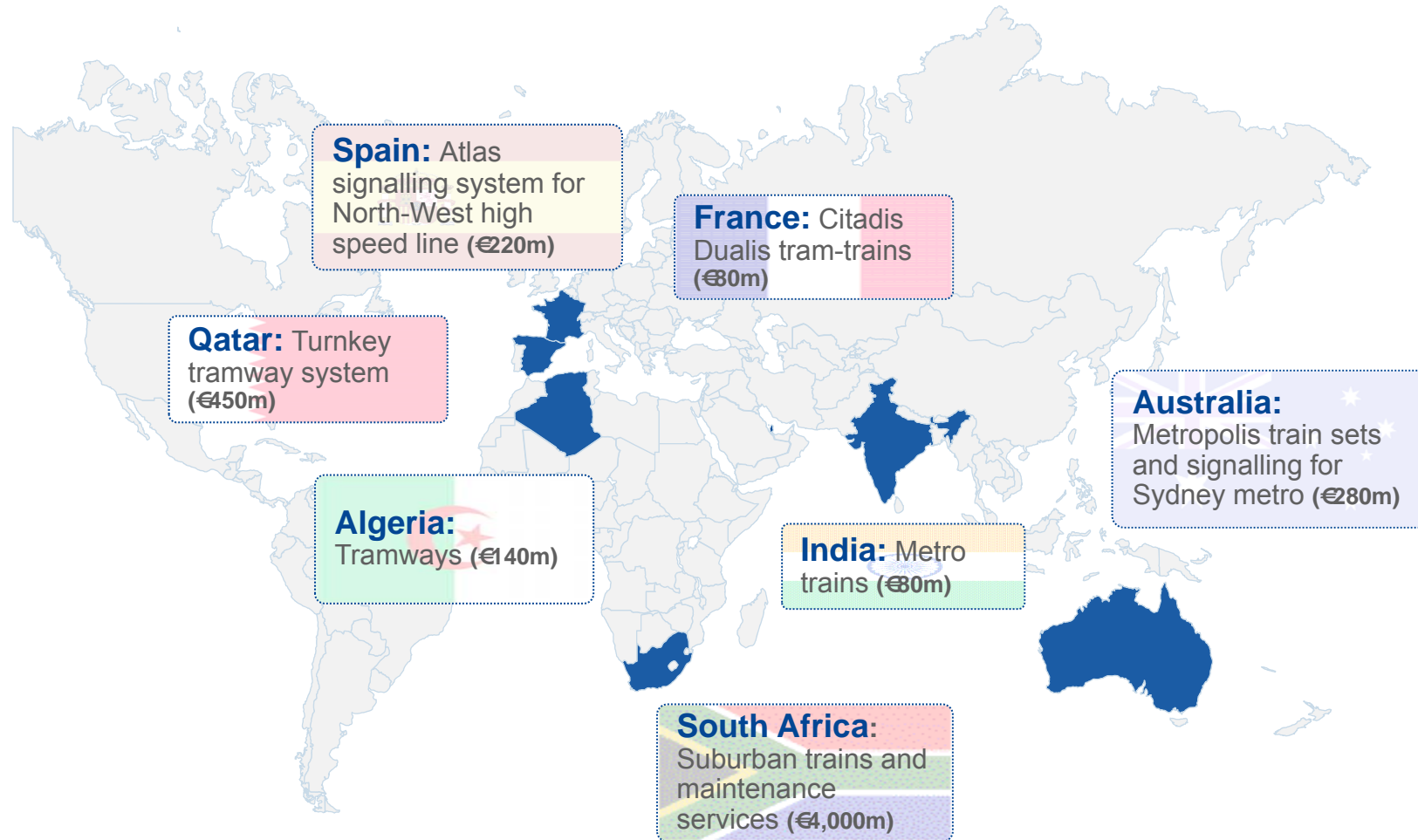
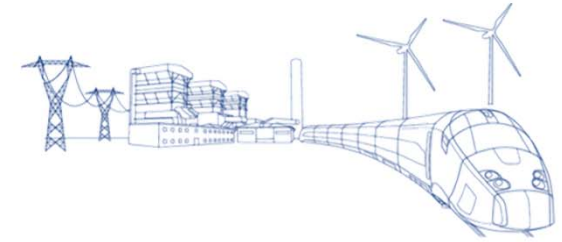


## Record high backlog

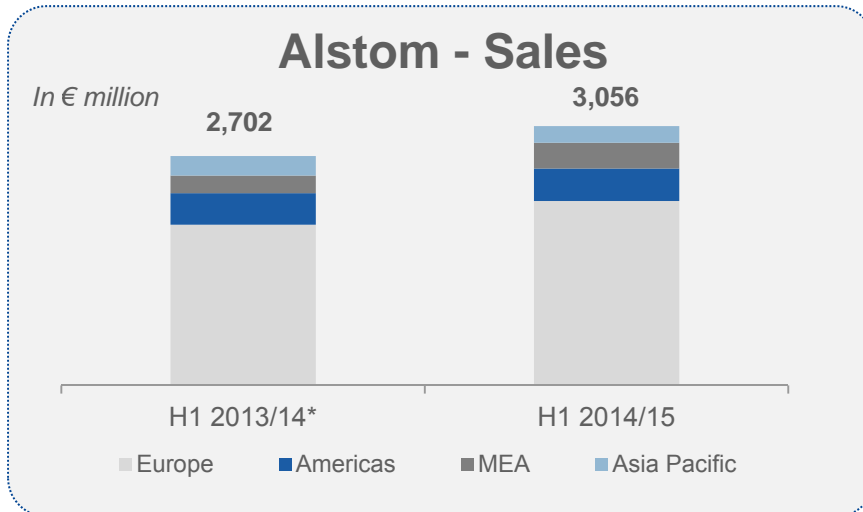
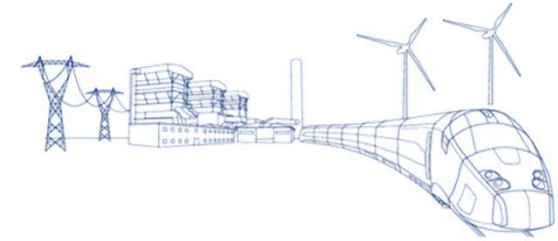
- 50% of 2016/17 expected revenues already covered by the backlog
- Service revenues representing a third of the backlog

\* Adjusted after IFRS 11

# Alstom orders – New projects across all geographies

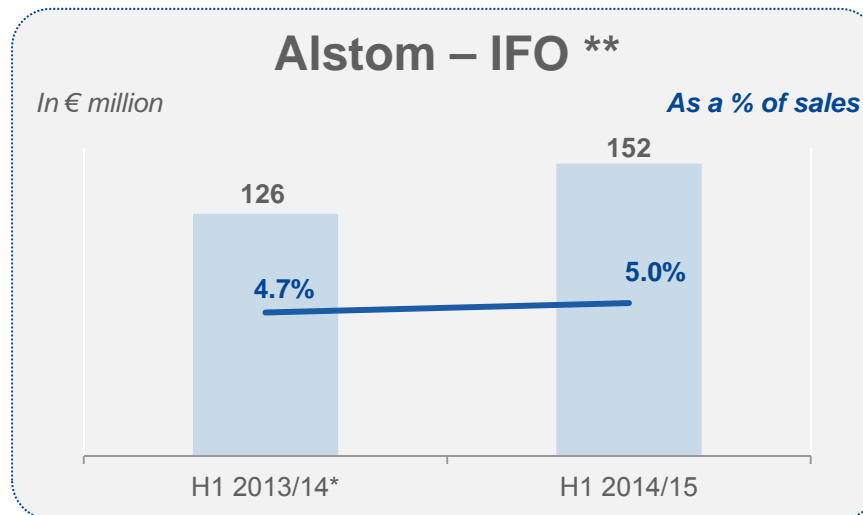


# Alstom sales and operating margin - Strong organic increase



## Organic growth of 13% in H1 2014/15

- Main deliveries of suburban, intercity and high-speed trains in France, Italy and Germany as well as high-speed trains in Poland and Morocco, and tramways in Dubai
- Emerging countries representing around one third of sales



## Steady growth in operating income

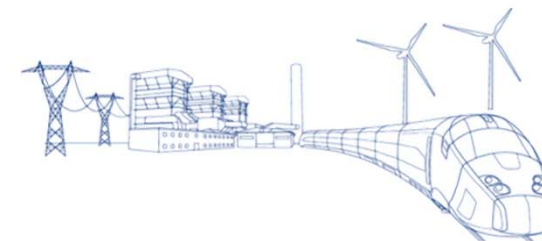
- Tight cost control
- Sound project portfolio execution
- Mitigated by ramp-up costs associated with new platforms (i.e. Regiolis)

\* Adjusted after IFRS 11

\*\* After corporate costs of , respectively, €(18)m in H1 2013/14 and €(15)m in H1 2014/15



# Income statement



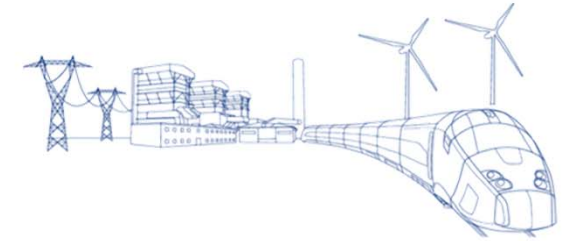
In € million

	H1 2013/14*	H1 2014/15	% change reported	% change organic
<b>Sales</b>	2,702	<b>3,056</b>	13%	13%
<b>IFO **</b>	126	<b>152</b>	21%	
<i>Operating margin</i>	4.7%	<b>5.0%</b>		
Restructuring charges	(7)	<b>(55)</b>		
Other non-operating expenses	(14)	<b>(34)</b>		
<b>EBIT</b>	105	<b>63</b>	(40)%	
Financial result	(69)	<b>(56)</b>		
Tax result	30	<b>(11)</b>		
Share in net income of equity investees	41	<b>39</b>		
Minority interests from continued op.	(2)	<b>(6)</b>		
<b>Net income – Continued operations</b>	105	<b>29</b>		
Net income – Discontinued operations	270	<b>226</b>		
<b>Net income – Group share</b>	375	<b>255</b>		

\* Adjusted after IFRS 5 and IFRS 11

\*\* Including corporate costs

# Free cash flow



In € million

## IFO

Restructuring cash-out	(12)	(20)
Depreciation	38	36
Capex	(41)	(34)
R&D capitalised, net of amortisation	1	-
Pensions	(2)	(3)
Change in working capital	(118)	(230)
Other	24	14
<b>Free cash flow ** – Continued operations</b>	<b>16</b>	<b>(85)</b>
Free cash flow ** – Discont°d operations	(322)	(1,010)
Financial cash-out	(54)	(108)
Tax cash-out	(143)	(173)
<b>Free cash flow – Group</b>	<b>(503)</b>	<b>(1,376)</b>

H1 2013/14\*

H1 2014/15

- **FCF from continued operations**

- Temporary negative cash profile of a few contracts

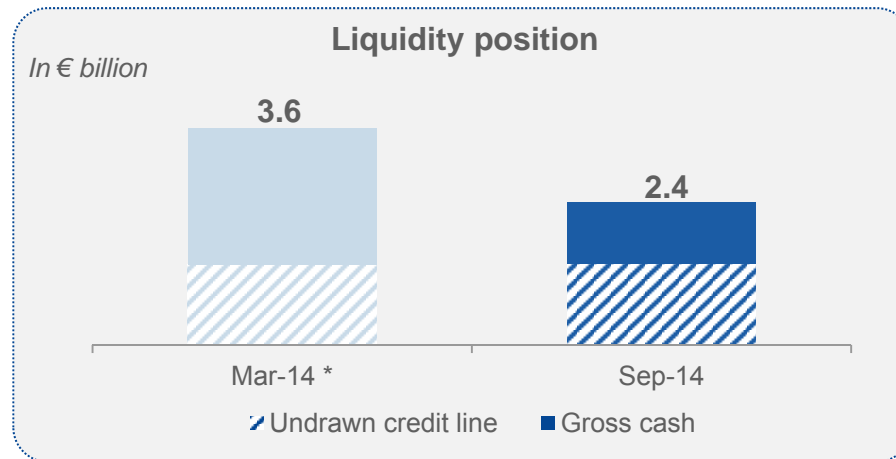
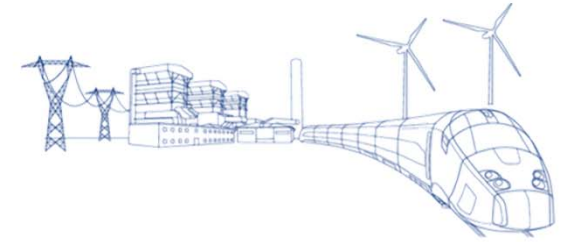
- **FCF from discontinued operations**

- Lower sales in Energy impacting progress payments
- Adverse cash profile of some projects over the period

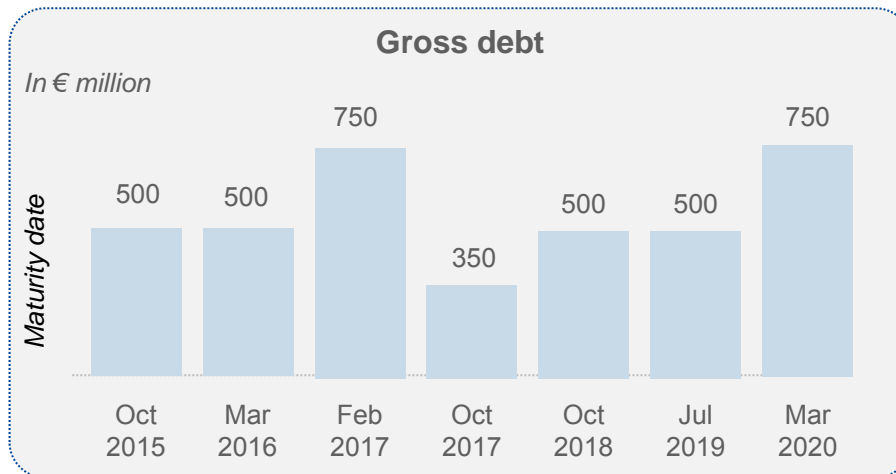
\* Adjusted after IFRS 5 and IFRS 11

P 10 \*\* Before tax and financial cash-out

# Liquidity and gross debt

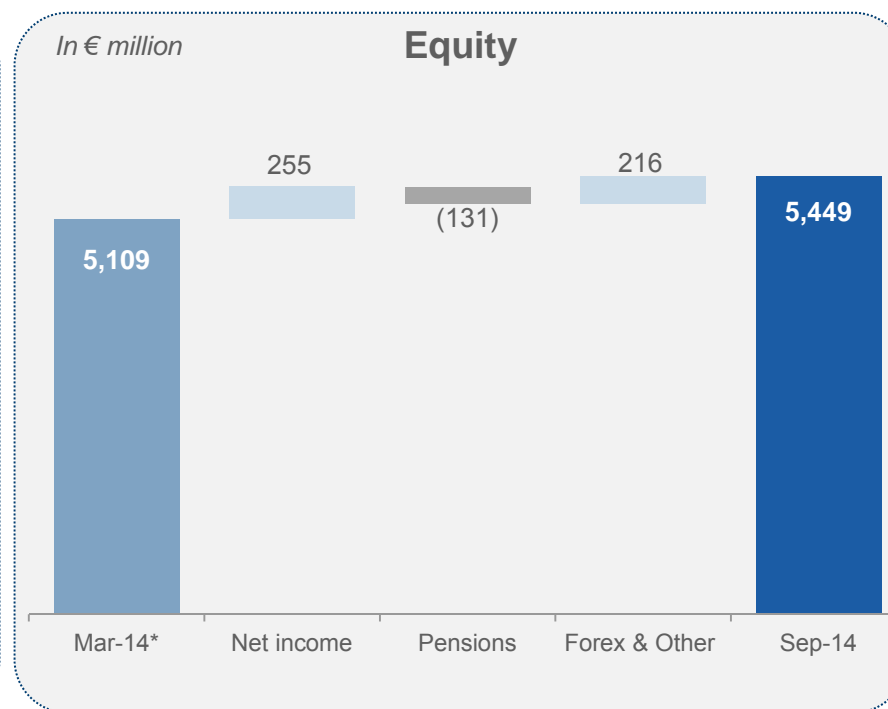
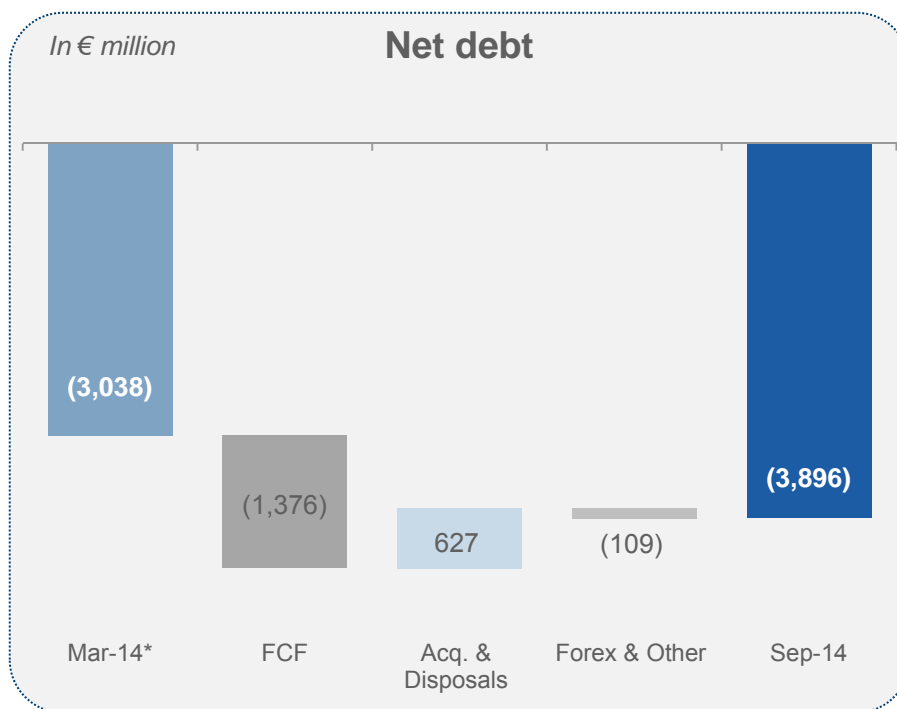
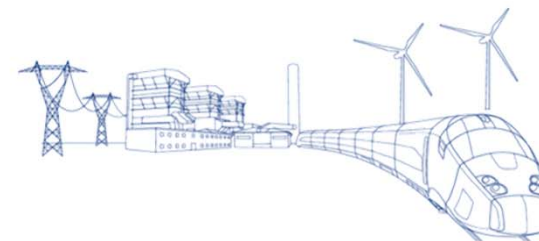


\* Adjusted after IFRS 11



- **Steam auxiliary components business** (€430 million sales) **sold for €30 million** (closing on 29 August)
- **Reimbursement of the €22 million bond** maturing in September 2014
- A €1.35 billion syndicated credit line maturing **in 2016 fully undrawn**

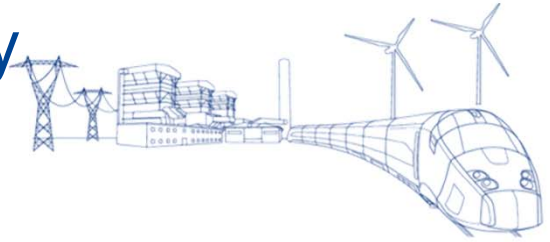
# Net debt & equity



\* Adjusted after IFRS 11

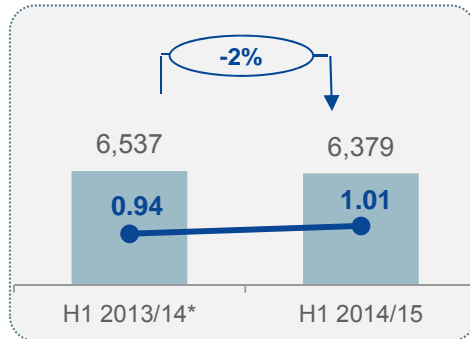
# Discontinued Operations - Alstom Energy

## Key figures for information purposes

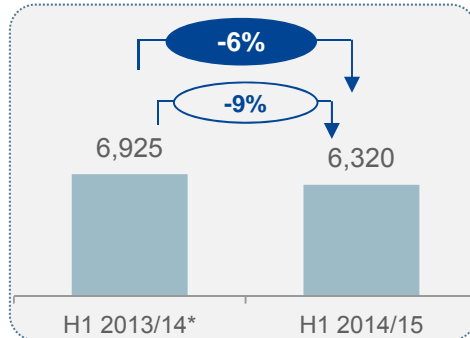


In € million

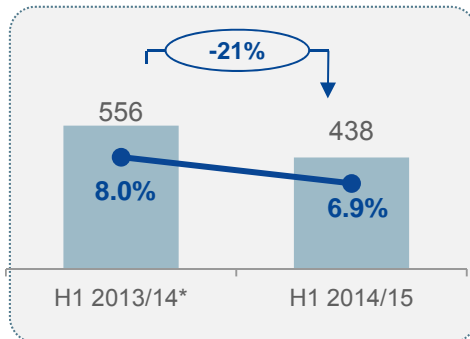
Orders and book-to-bill



Sales



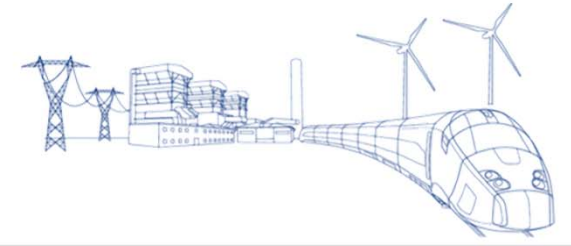
Income from op. and margin



- Orders down 2%
- Main booking: steam turbines in India, gas turbine in Mexico (GT24), HVDC contracts, wind turbines in Brazil
- Sales decrease reflecting slower order intake in recent quarters
- Margin affected by lower volumes partly mitigated through progressive implementation of d2e plan

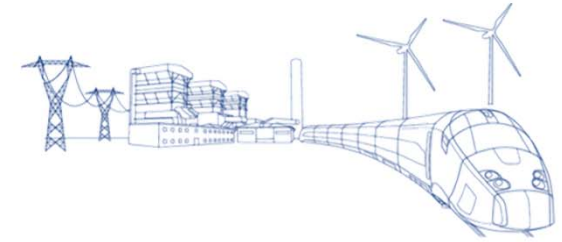
\* Adjusted after IFRS 11 and IFRS 5

# Agenda



- H1 2014/15 results
- **Update on GE / Alstom project**
- Transport strategy and perspectives

# Project with GE on track



## Completed

- Information – consultation with works councils
- Finalisation and signing of sale contract and other associated agreements
- Finalisation of GE Signalling acquisition and global rail alliance
- French Foreign Investment authorisation obtained

## Ongoing

- Competition and regulatory authorisations process

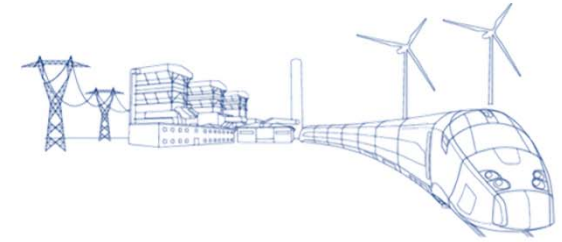
## 19 December

- General Meeting of Alstom's shareholders to vote on transaction

## First-Half 2015

- Closing
- Cash return to shareholders

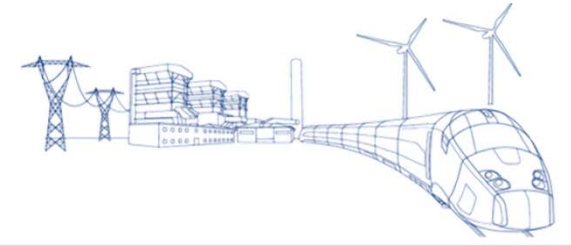
# Use of proceeds



- **Provide the Group with a solid balance sheet structure**
  - Deleverage the Group
  - Pension deficit mechanically reduced to €0.35bn (from €1.5bn)
- **Support development of the Group**
  - €0.6bn for the GE Signalling acquisition
  - €2.6bn of reinvestment in the JVs with GE
  - Headroom for future growth embedded in the cash position and in the liquidity rights of the JVs
- **Maintain strong liquidity**
  - Ample liquidity at closing
  - Possibility to reimburse part of the outstanding debt before maturity
- **Return cash to shareholders**
  - To be announced with the publication of the Board of Directors' report in view of the General Meeting

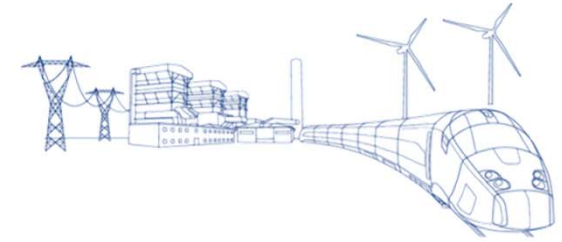


# Agenda

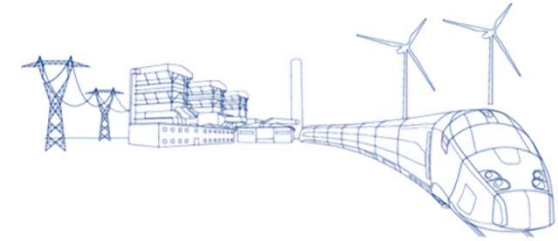


- H1 2014/15 results
- Update on GE / Alstom project
- **Transport strategy and perspectives**

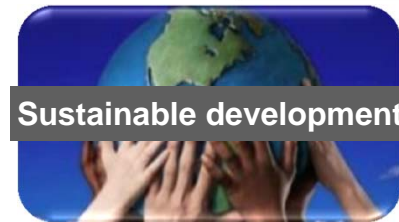
# Alstom Transport: a strong position in a solid market



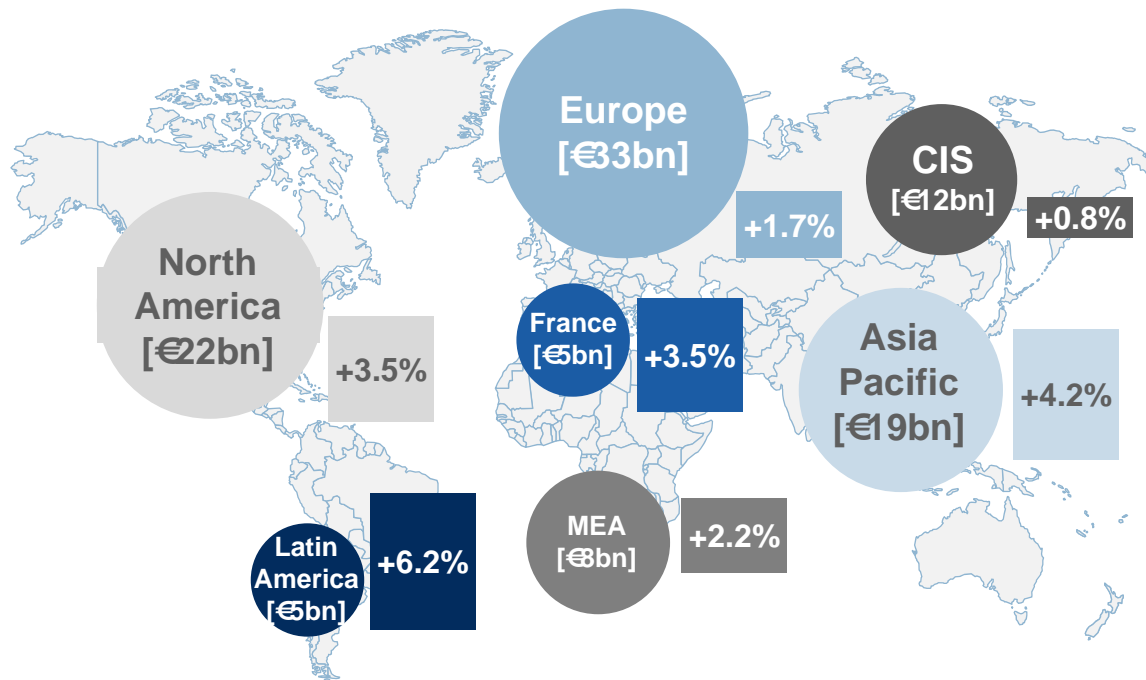
# 1 A growing worldwide market



DRIVERS



2.8% market CAGR for 2011/13 – 2017/19 period

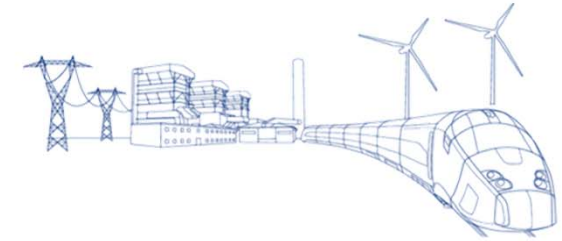


- Europe: strong development of **Regional** and **Urban**, opportunities in **Services**
- North America: growth mainly driven by **urban/LRV**, **metros** and **signalling**
- Latin America: expansion in **urban integrated solutions & bundle offering**
- MEA: strong appetite for **integrated solutions & bundle offering**
- APAC: India's market to double
- CIS: Renewal and renovation opportunities (old installed base)

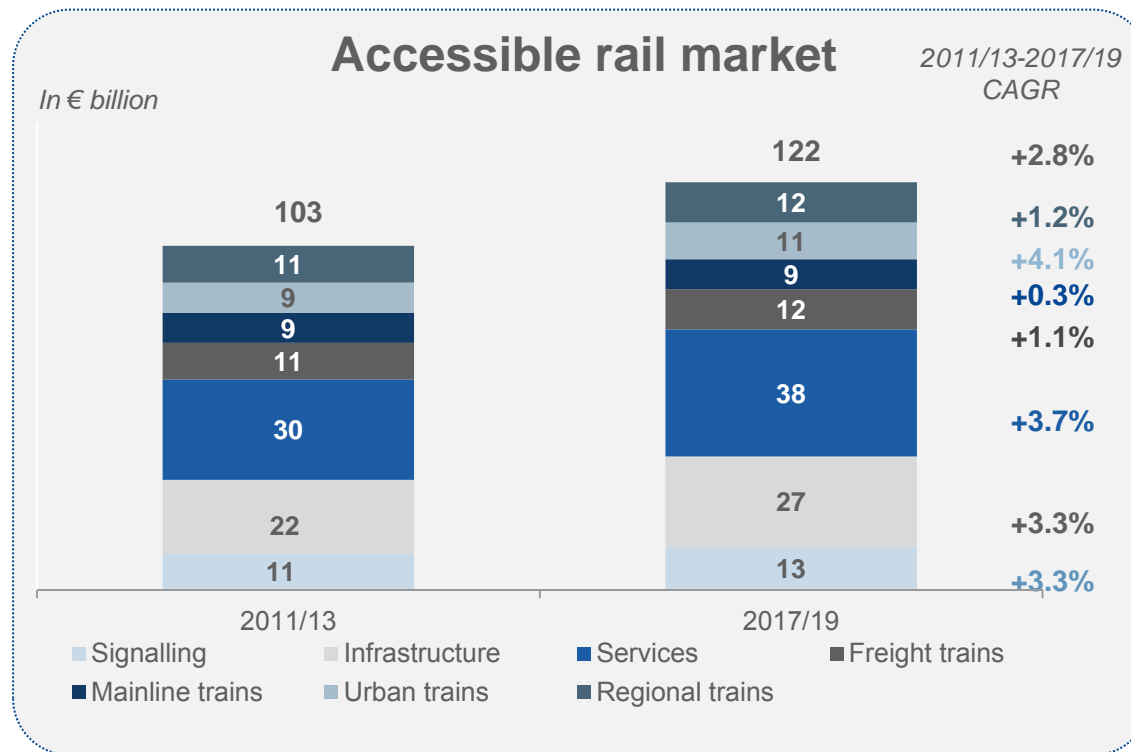
Source: UNIFE 2014

Note: size of the bubble reflects market size in 2011/13; % equals CAGR between 2011/13 and 2017/19

# 1 A growing worldwide market



## Market growth driven by Services, Urban and Signalling

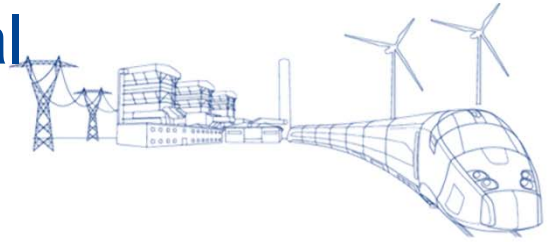


- Solid growth expected in **Signalling** and **Urban** trains as well as in **Services**
- Ageing fleet to create **modernisation opportunities in mature countries** (mid-life modernisation as well as life-time extension)

Source: UNIFE 2014

Note: Figures at 2013 € constant, % equals CAGR between 2011/13 and 2017/19

## 2 Alstom: a customer-focused geographical footprint



### Addressing customers' strong requirement for localisation

#### Global footprint

- Capture the full potential of fast growing markets and mitigate local cycles
- 1 Product platform / 1 Process platform
  - Standardisation
  - Economies of scale
- Ability to serve globalising clients

#### Multi-local approach

- Fragmented regulatory framework
- Strong requests for local content
- Customer intimacy and service proximity

**South Africa:** Suburban trains and maintenance services

- Based on **X'Trapolis platform** adapted to South African gauge
- First trains exported from Brazil
- A **manufacturing site** under construction near **Johannesburg**
- **65% of local content**

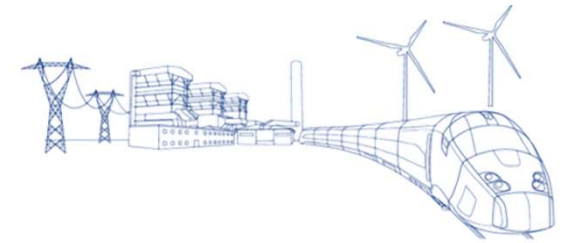
**India:** metropolis train sets and tracks for Chennai

- Industrial base built in Sricity
- Recent award of a new metro contract in Kochi
- Factory to be used as an export base

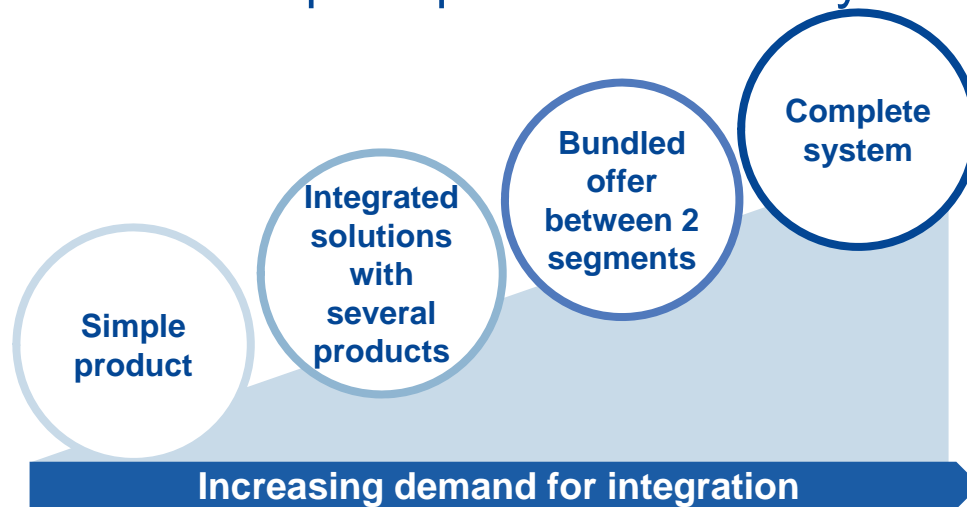
**Azerbaijan:** freight locomotives

- Locomotives to be assembled in Alstom's JV manufacturing site in Astana, Kazakhstan
- Technical assistance and maintenance and training of customer's staff expected

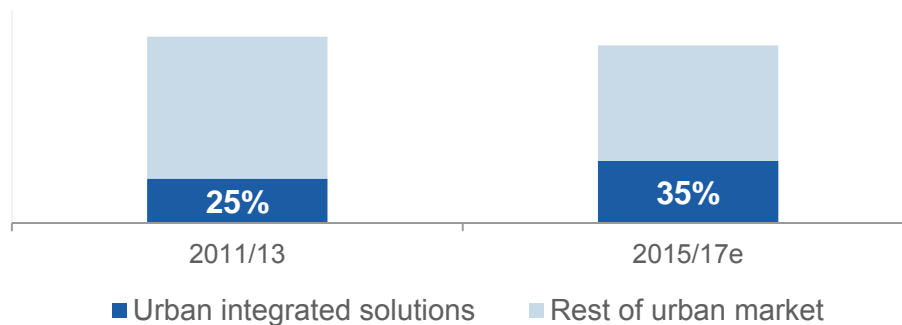
# 3 Alstom: a complete range of solutions



A complete portfolio of activity to meet all customer needs



Urban market excl. Services



- **Urban integrated solutions market** to represent **35%** of urban rail market in 2015/17 as compared to 25% in 2011/13

## Recent commercial success

**Saudi Arabia:** Complete system for Riyadh metro (€1.2bn)

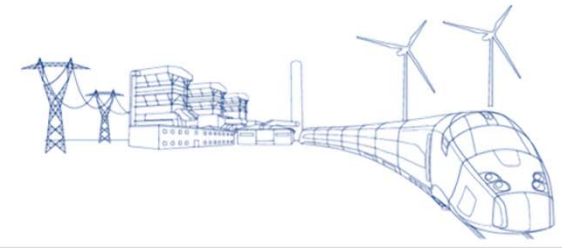
- **Trains:** 69 Metropolis trainsets
- **Signalling:** Urbalis
- **Infrastructure:** HESOP reversible sub-station & APPITRACK automatic track-laying technology

**Qatar:** Turnkey tramway system for Lusail (€450 million)

- **Trains:** 35 Citadis tramways
- **Signalling:** Urbalis
- **Power supply equipment:** substations, catenary and APS
- **Services**

4

# Alstom: differentiation through innovation and technology



Offering **best-in-class technology** thanks to **targeted R&D investments** to improve

- Safety & performance
- Sustainable mobility
- Passenger experience

## Entering new areas - examples

- Citadis Spirit, flexible and modular tram in North America
- New generation of emission-free trains with fuel cell technology in Germany

## Strengthening our offer

- Innovative **total cost of ownership offering** for customers, focused on Capex and Opex optimisation (see next page)

## Examples of commercial successes

**France:** Lille metro Line 1 renovation (€250m):

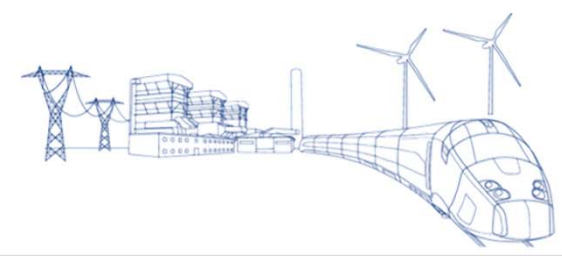
- Integrated metro system, including train-sets and Urbalis Fluence signalling solution
- Doubling transport capacity
- Reducing energy consumption by 20%
- Decreasing maintenance and running costs

**Canada:** Entering North America for LRV with **Citadis Spirit (€400m):**

- Modular and versatile light-rail solution
- Flexible manufacturing close to the customer
- Innovative design adapted to local needs (extreme weather condition, accessibility)

4

# Alstom: focus on an innovative total cost of ownership offering



## Answering clients' recent focus for opex optimisation

### Energy savings

- Most recent HESOP system leading to significant energy savings (99% brake energy recovery)
- Energy costs may represent up to 20% of operating costs

### Maintenance

- One of the largest footprint in Rail Services
- Launch of predictive maintenance tool HealthHub at Innotrans 2014 (up to 30% reduction in maintenance cost)
- Unique OEM player able to provide maintenance on trains built by competitors

## Contracts recently won thanks to total cost of ownership offering

### PRASA (South Africa) contract:

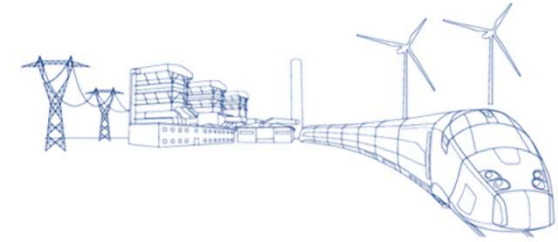
- Technical support and spare parts for 18 years (beginning in 2016)
- Use of latest Alstom technology, e.g., Traintracer
- Guarantee of reliability and of lifecycle cost for spares (price per km)

### Minuetto (Italy) contract:

- 6 years full maintenance contract for 214 regional trains
- Management of 22 depots
- Average daily availability +11% since the start of the contract in 2011



## 5 Profitability improvement



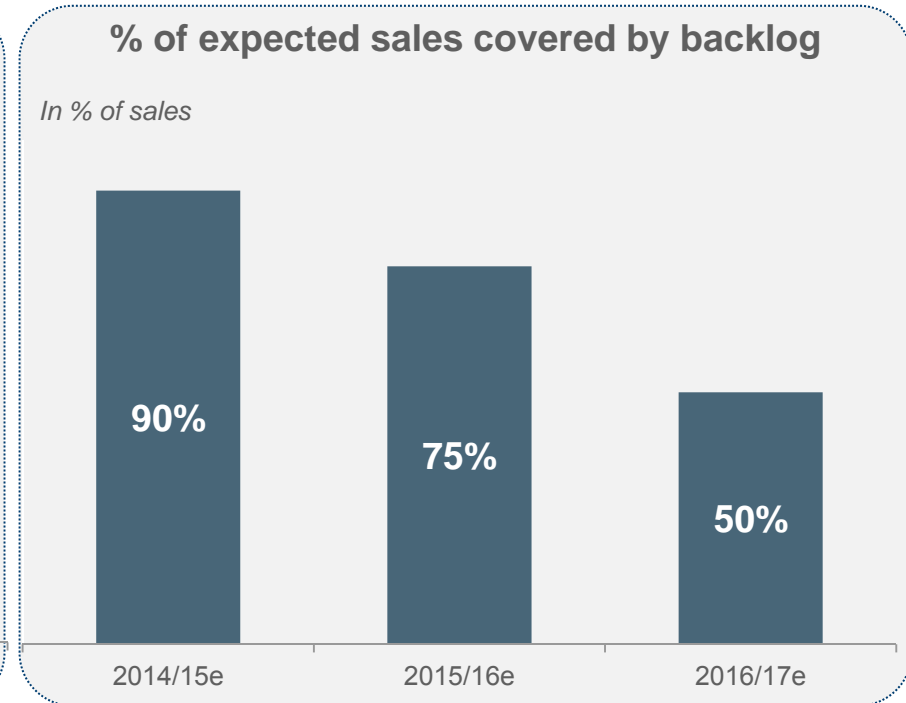
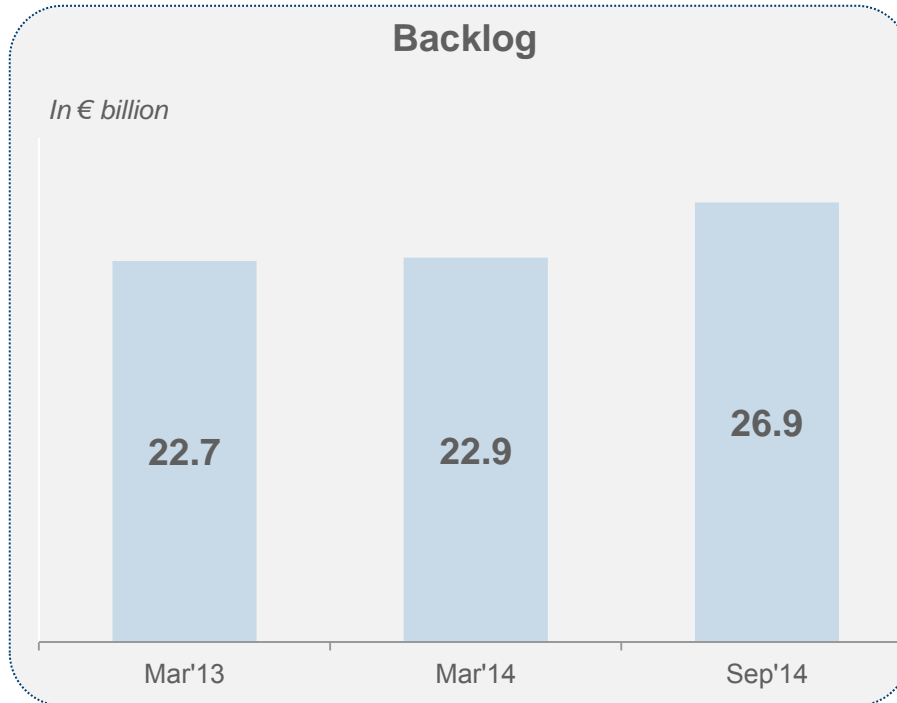
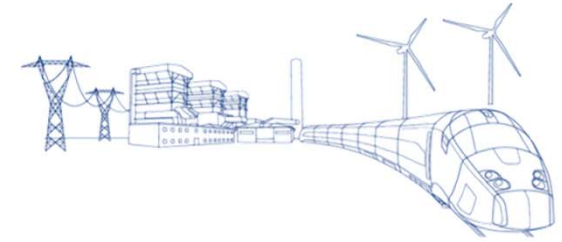
### Sound profitability levers

- **Record backlog** providing for highly visible growth
- Growing share of **services** and **signalling** based on current market trends
- Innovative offering of **total cost of ownership** adapted to latest customer demands
- Tight cost control and cost savings through **d2e performance plan**
- Product **standardisation** allowing for economies of scale and easier local adaptations

### Challenges

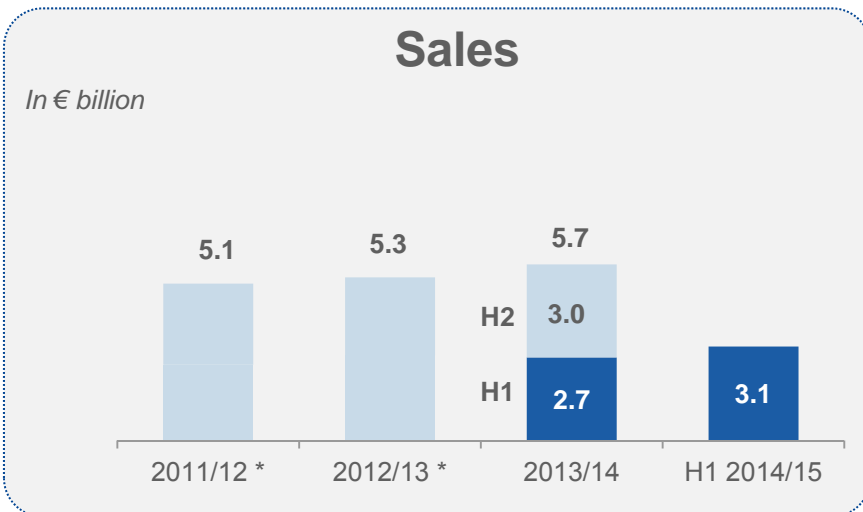
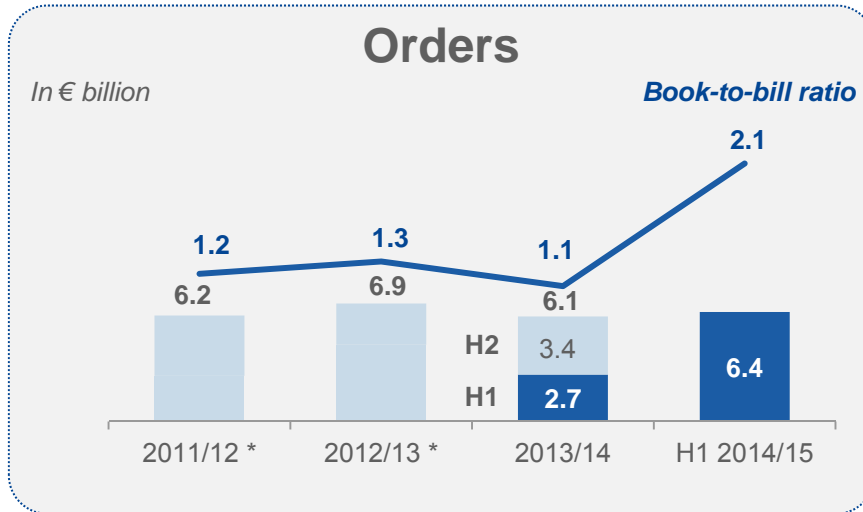
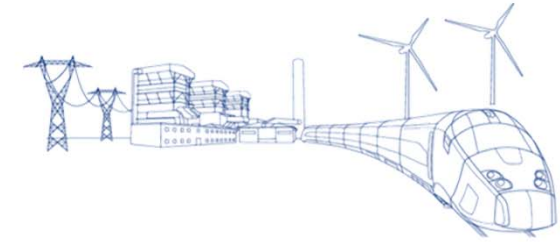
- Competitive landscape
- Uncertain global GDP growth
- Budgetary constraints in a number of mature economies
- Increased political risks in some emerging markets
- Launch of new products / platforms weighing on profitability at the beginning of the lifecycle

## 5 Record backlog providing good visibility



- Current backlog covers more than 4 years of sales
- 75% of expected sales in 2015/16 and 50% in 2016/17 already covered by current backlog
- A number of services and long-term contracts with even longer visibility.

## 5 Orders and sales - Sustainable growth



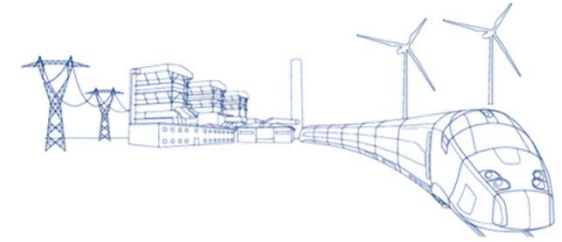
### Orders boosted by mega contracts

- Steady order growth in emerging countries
- Continued healthy services orders averaging €1.3bn per annum

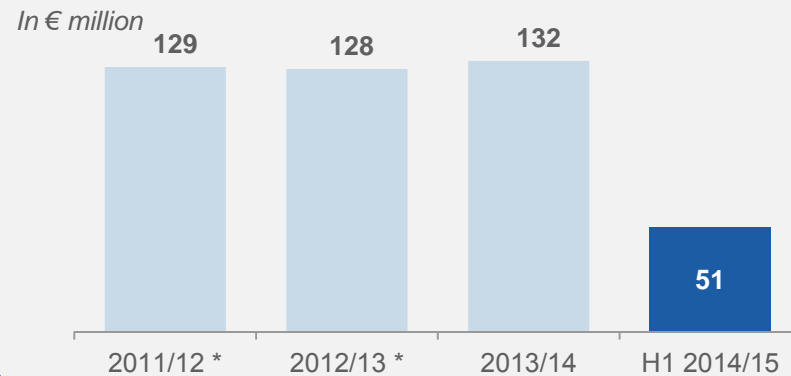
### Sound growth of sales (+6% CAGR over 2011/12 – 2013/14)

- Increase in regional and urban trains supported by public investment, in particular in Europe
- Introduction of new products: Urbalis CBTC driverless metro, Smartlock ERTMS interlocking
- Services: growth in Europe (large maintenance contracts in the UK and Italy)

## 5 Investing for future growth



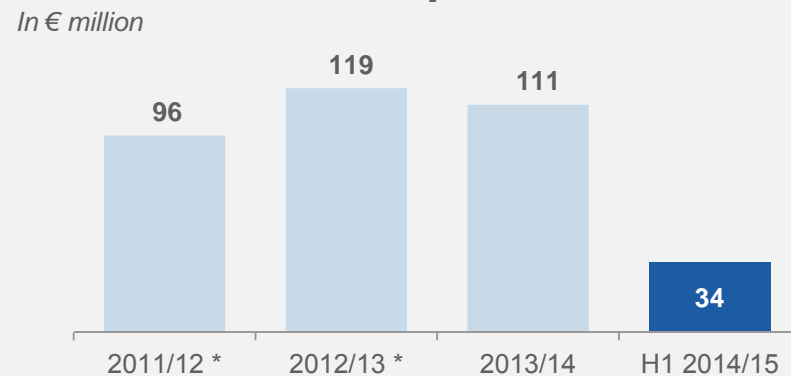
### R&D



### Main R&D programmes

- Axonis and Urbalis Fluence, major innovative solutions in metro systems and signalling
- New Citadis tram
- HealthHub, a new predictive maintenance tool
- Atlas 400 & 500, the first scalable ERTMS solutions

### Capex

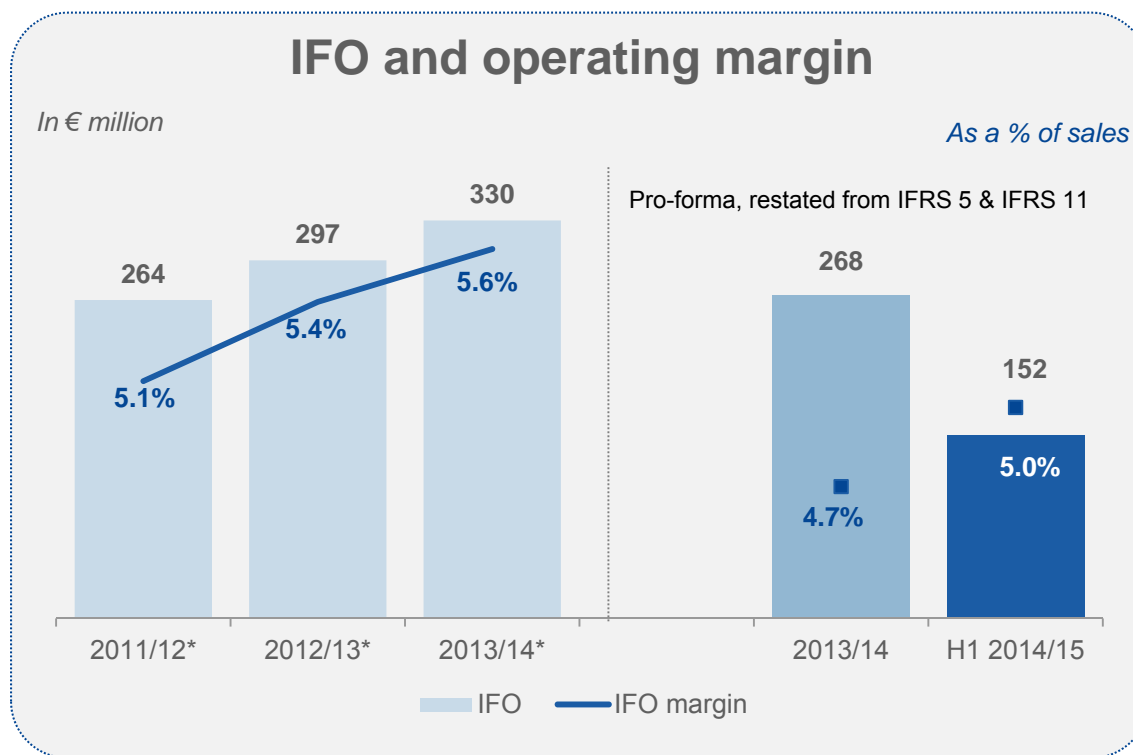
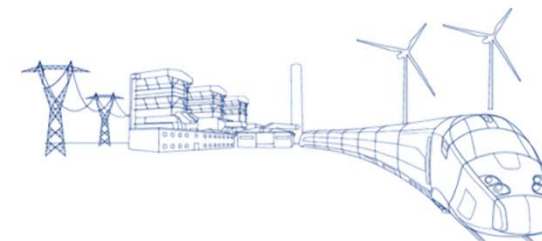


### Recent capex developments

Over €100m/year invested in expansion of manufacturing footprint during the last 3 years

- Metro factory in Chennai, India
- Bogie manufacturing plant in Sorel-Tracy, Canada
- Tramway manufacturing facility in Tabauté, Brazil

# 5 Progress of operating profit and margin

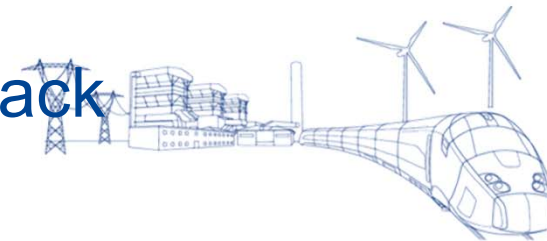


## Sustained improvement of IFO margin over the last 3 years

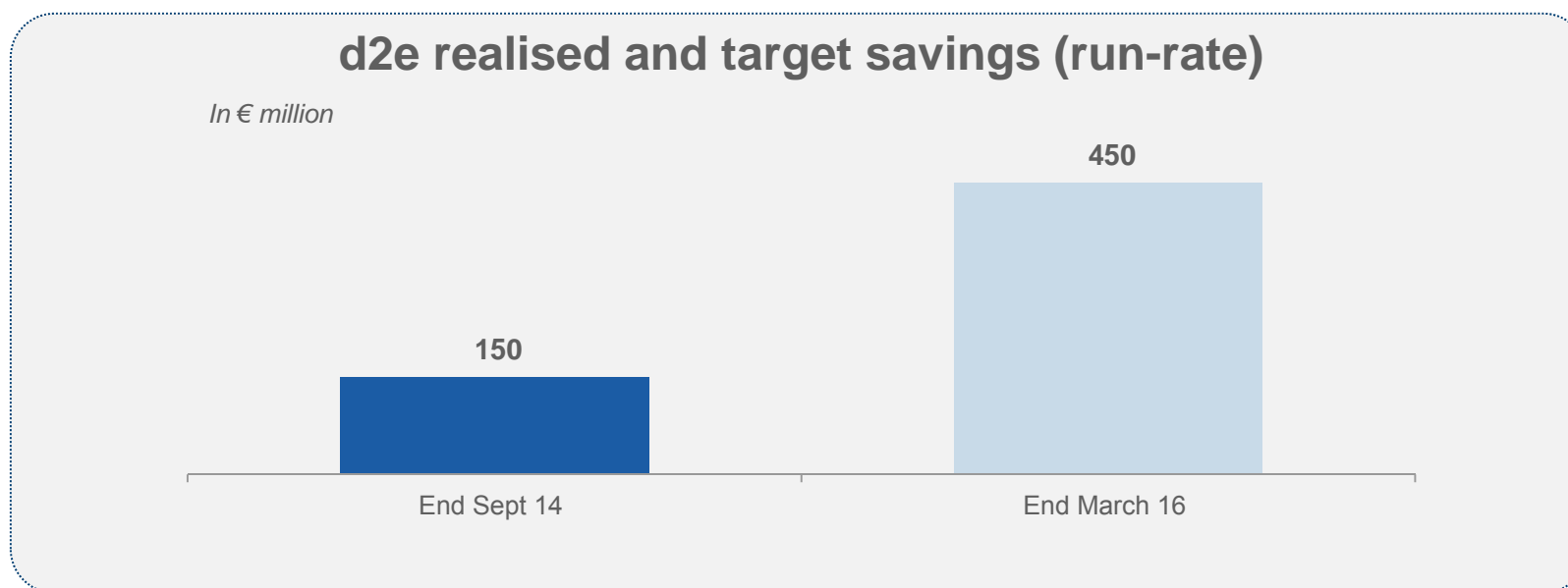
- Volume growth
- Increased services and signalling activities supporting margin improvement
- Successful implementation of d2e performance plan

\* Former Alstom Transport Sector

## 5 “Dedicated to Excellence” plan well on track

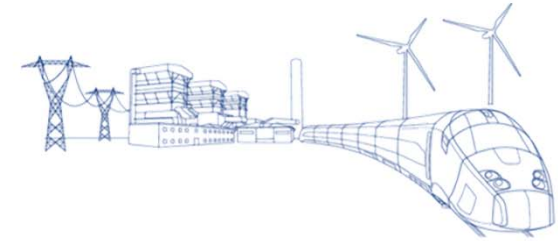


One third of the target achieved to date



**€450 million of savings targeted** by end March 2016 vs. 2012/13 cost base

## 5 D2e: examples of initiatives



### Sourcing



- Increasing LCC sourcing content
- Reducing number of suppliers

### Manufacturing



- Building a global network of centers of excellence
- Maintaining customer intimacy through manufacturing

### Industrial footprint



- Optimising the **global footprint** and streamlining organisation

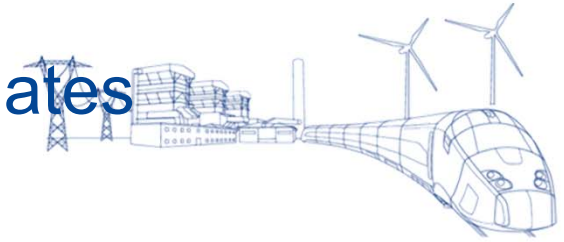
### S&A



- **New organisation:** shift from matrix-based to region-based
- **Targeting 200bp improvement in S&A by 2016**

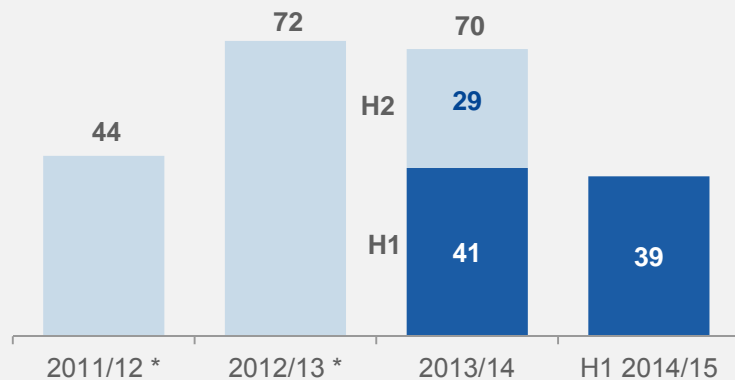
➔ Address the €5bn cost base and make a €450m improvement

## 5 Profitable investments in JVs and associates



### P&L contribution from associates and JVs

In € million



\* Indicative Pro-forma, non-audited figures

### Joint ventures investments

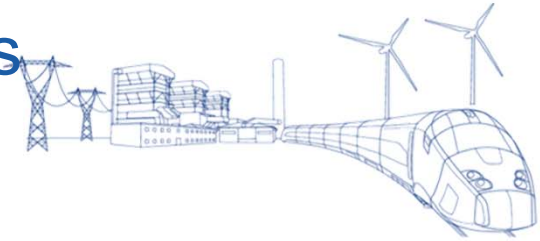
- A successful strategy to penetrate specific local markets
- Main associates include TMH (25%, Russia) and CASCO (50%, China)

### TMH, a leader on the Russian market

- Growing/profitable business
- Dividend pay-out above 50%
- Forex headwinds to be expected



## 5 FCF reflecting working capital fluctuations over short periods



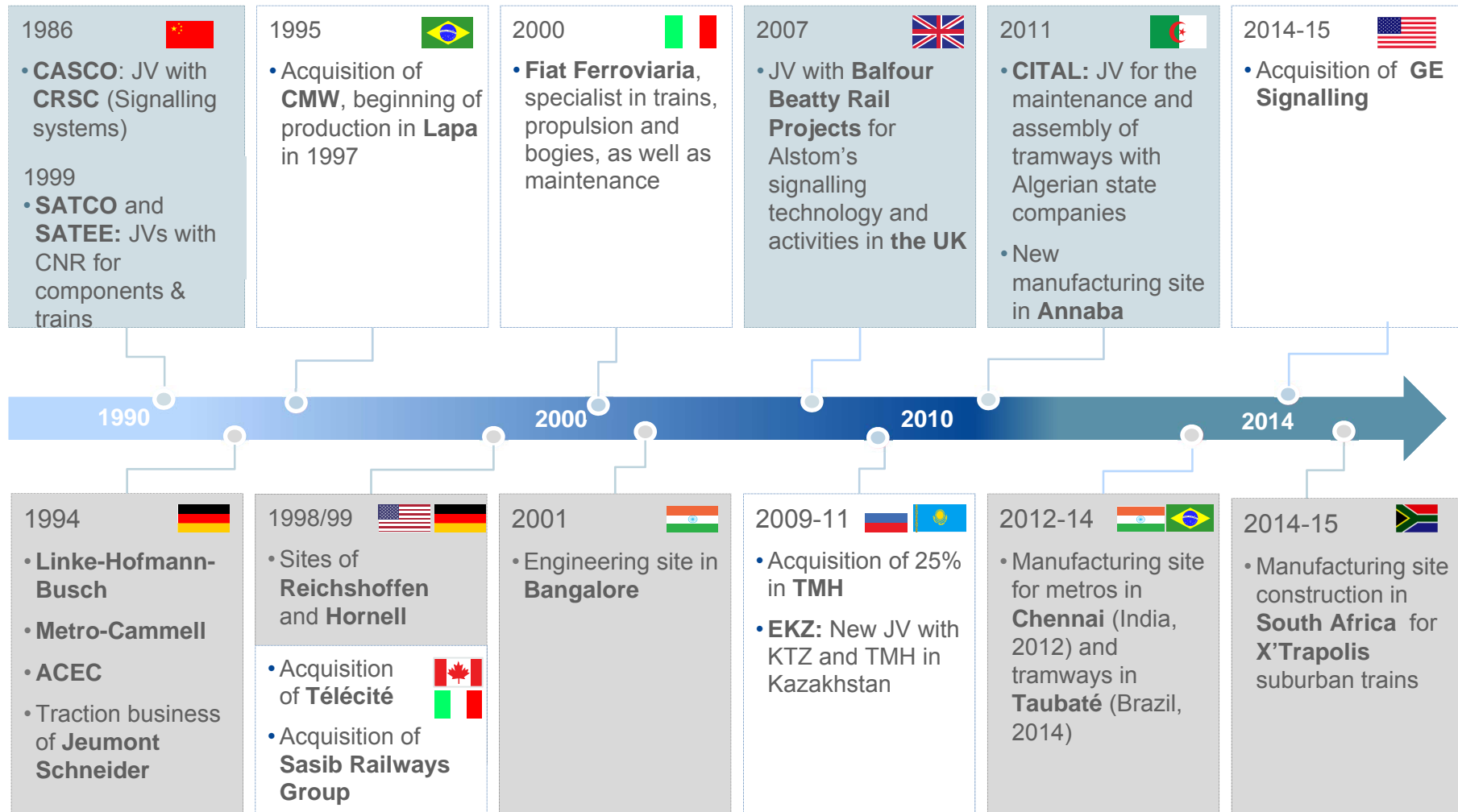
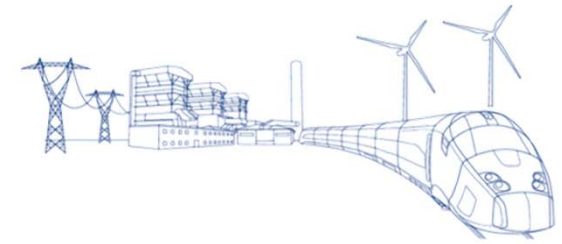
<i>In € million</i>	2012/13*	2013/14*	H1 2013/14	H1 2014/15
<b>IFO</b>	297	330	126	152
Management fees	(52)	(55)		
Restructuring cash-out	(38)	(29)	(12)	(20)
Depreciation	73	76	38	36
Capex	(119)	(114)	(41)	(34)
R&D cap., net of amortisation	(4)	(9)	1	-
Pensions	n.a	n.a	(2)	(3)
Change in working capital	63	26	(118)	(230)
Other	14	(5)	24	14
<b>FCF** – Continued Op.</b>	234	220	16	(85)

- Implementation of more stringent policy for working capital management
- Working capital fluctuations

\* Former Alstom Transport Sector

\*\* Before tax and financial cash-out

# 6 Convincing strategy of global expansion



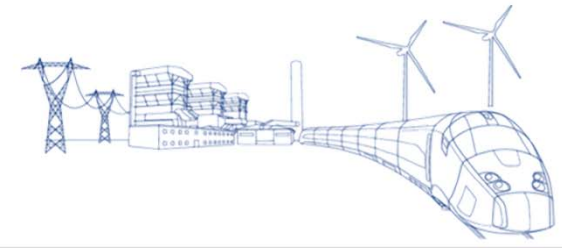
Footprint expansion

Selective M&A

Strategic partnerships



# 6 Acquisition of GE Signalling and Global Rail Alliance with GE



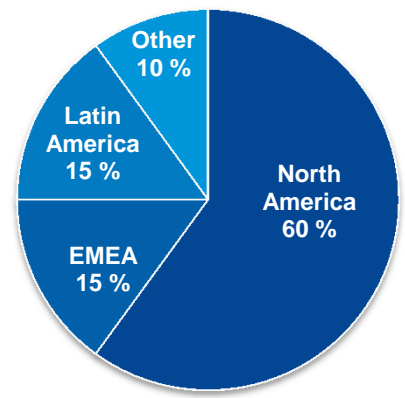
## GE Signalling: a strategic acquisition\*

- Sales of €400 million, around 1,200 employees in 15 sites
- Reinforcing Alstom's global position in Signalling
- Attractive synergies

## Global Rail Alliance

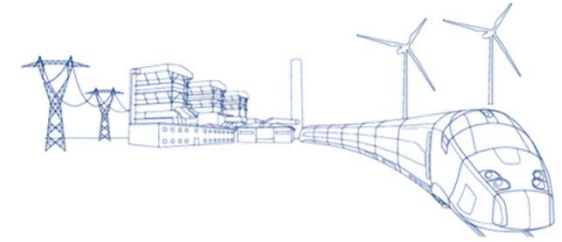
- Commercial support from GE in selected geographies, notably in the USA
- Service by Alstom of GE's installed base of locomotives in selected regions outside the USA
- Mutual or joint sourcing and development of new products, technology and programmes
- GE Capital to support Alstom through financing solutions on a case by case basis

## Sales breakdown



\* Subject to closing, expected in Half-Year 2015

# Guidance



Organic sales growth

Operating margin\*

Free cash flow -  
Continued operations

Group free cash flow

## Current year

- High single digit
- Over 5%
- Positive over the full-year (before tax and financial cash-out)
- Substantially positive in H2

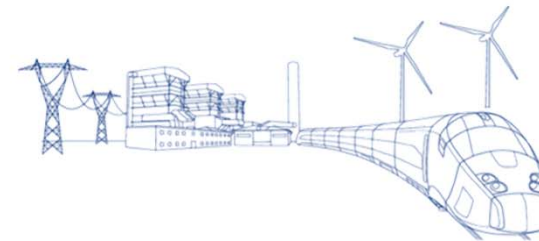
## Medium term

- Over 5% per year
- Gradual improvement within the 5-7% range
- 
- In line with net income\*\* (with possible volatility on short periods)

\* IFO margin including corporate costs

\*\* Before Energy JVs

# Contacts and agenda



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## AGENDA

**19**

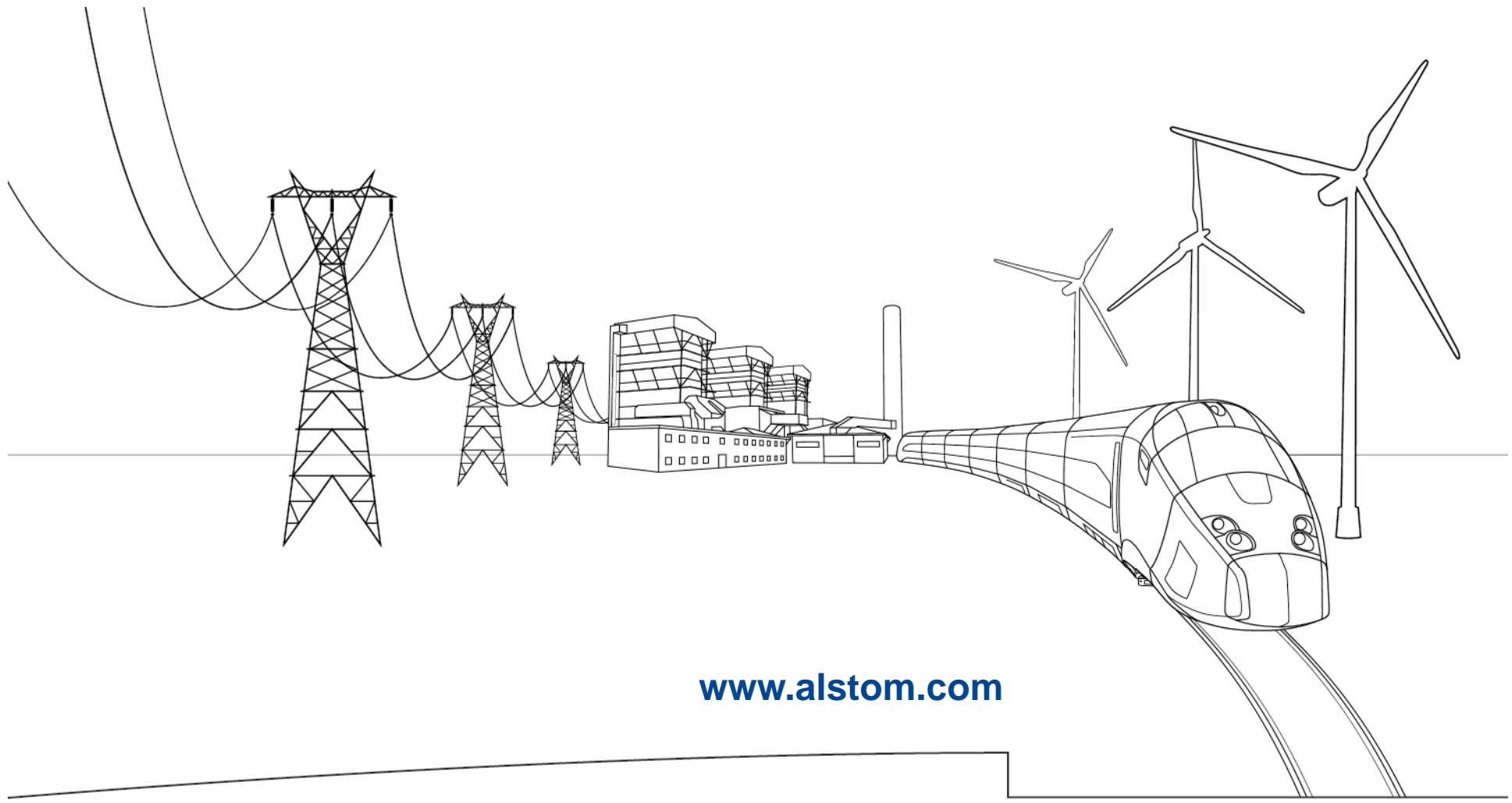
December 2014

**Shareholders' meeting**

**21**

January 2015

**Q3 2014/15 orders and sales**



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