



# **Alstom Full Year Results for FY 2025/26**

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**Operator:** Welcome to the Alstom 2025/2026 Full Year Results Conference Call. For the first part of the conference call, the participants will be in listen-only mode. During the questions and answer session, participants are able to ask questions by dialling pound key five on their telephone keypad.

Now I will hand the conference over to Martin Sion, CEO. Sir, please go ahead.

**Martin Sion:** Good morning, everyone, and thank you for joining us to discuss Alstom results for the fiscal year '25/'26. It is fair to say that I joined the company at a critical time. The past year has demonstrated both our strengths and the areas where we must raise the level of performance.

On the one hand, the order backlog is at a record high. We've got a solid base to build on. Progress has been made in the last few years on several aspects. On the other hand, the execution challenges we have faced on some rolling stock projects are highlighting areas of project execution that require improvement. This improvement will ensure that we convert our backlog into sustainable profit and cash generation.

The shortfall in car production in the fourth quarter was not a one-off event, but instead highlights a lack of consistency in project execution within the Rolling Stock product line that led to guidance being revised. After only six weeks in the role, it would be presumptuous for me to claim that I have the answers to improve operational performance and financial trajectory of such a large and complex business.

Today, therefore, I will begin by highlighting key takeaways from the past fiscal year before sharing my assessment of the current context and outlining my priorities for the Group. Bernard will then talk and walk you through the financial performance for the year, and I will conclude with the outlook of the '26/'27 fiscal year.

So starting with some highlights for the year. Last fiscal year was a record high for order intake, with nearly €28 billion for new orders. This reflects the commercial success of several new platforms, including Avelia Horizon for very high-speed trains and Coradia Max for double-deck regional train solutions.

In addition, Alstom achieved a record level of orders in Signalling, confirming its position as one of the leading players in digital rail solutions. Group sales grew organically by 7.2% in the last fiscal year. All product lines contributed to growth except for Systems.

Adjusted EBIT margin was below expectation and below last year's level. This was mainly driven by underperformance in Rolling Stock, with a mix of projects in industrialisation and homologation, as well as some projects in late-stage execution. I will come back to this in more details in the following slides.

Free cash flow reached €336 million, in line with this guidance. This slide illustrates the commercial success of our rolling stock platforms with a particular focus on Avelia Horizon. The first order of Avelia Horizon was signed with SNCF eight years ago. Since then, we have continued to secure additional orders based on the same platform with different customers. Each new order relies on a proven core design. This brings clear benefits to both Alstom and our clients.

It limits development risk and cost, makes better use of an established supplier base, and shortens the time between order intake and entry into commercial service.

This ability to reuse and scale platforms across customers and geographies is a clear strength for Alstom. It shows that we can industrialise platforms while still adapting them to specific customer needs. It also strengthens our credibility with customer who are looking for reliable solutions, predictable deliveries, and faster time to market once homologation has been reached.

Going forward, this platform-based approach will remain the foundation of how we build and manage the rolling stock backlog with discipline and a strong focus on execution and risk control.

Moving to a selection of key operational milestone delivered during the fiscal year. In the US, NextGen Acela entered commercial service on the Northeast Corridor for Amtrak, with trains built in the US for the US market. As of this month, there are over 10 trains running for commercial service.

In India, Metros entered service in Bhopal and on Delhi line extensions, incorporating Alstom CBTC signalling technology. In France, MF19 entered service on Metro Line 10 in Paris, with further deployment planned across eight lines through to 2033.

In Australia, we delivered the country's first brownfield CBTC installation with the opening of Melbourne's Metro Tunnel.

Turning now to this section. This slide, we explain how I look at the current situation of the Group. Alstom is an industrial project business. In this type of business, execution quality and financial performance depend first and foremost on the backlog, its size, its balance, and its margin profile. From this perspective, clear progress has been made over the past few years. The backlog has increased by more than €20 billion over five years. It is also better balanced across Rolling Stock, Services, Signalling and Systems.

At the same time, the gross margin embedded in the backlog has improved by around 200 basis points.

Several factors explain this progress. First, rail market fundamentals are strong, with around €210 billion of identified opportunities globally over the next three years. This provides visibility, but also requires discipline in how we select projects.

Second, the combination of Rolling Stock and Services transcend visibility on lifecycle economics. Over the past two years, around half of the rolling stock volumes secured also included maintenance contracts.

Third, Alstom has built a strong position in digital rail solutions, supporting both standalone Signalling growth and integrated turnkey projects. Overall, this gives a solid base to build upon and gives me confidence that the business can be set back on course.

In an industrial project business like Alstom, balance sheet strength and cost disciplines are essential. Progress has been made on this front over the last three years. The deleveraging plan launched in 2024 strengthened the balance sheet, and fixed costs have declined as a percentage of sales.

On the environmental side, Scope 3 emissions linked to passenger transport products sold to customer have been reduced by around 20% over three years, reflecting both product evolution and customer demand for low-carbon mobility.

Some progress has also been achieved operationally. Manufacturing quality has improved, and a transformation plan has been launched in Germany, where the industrial footprint is being adjusted to improve efficiency and competitiveness. These improvements do not solve all issues, but they show that actions taken in recent years are starting to deliver results and create a stronger foundation.

This slide shows clearly that further progress is required on execution. Execution in the Rolling Stock business has not yet reached the level of consistency we expect. This has affected operational performance, reduced financial visibility and complicated forecasting, particularly in the fourth quarter.

Car production was broadly stable over the first nine months of the year, but fell short in Q4, resulting in full year production finishing nearly 100 cars below plan. Most of the Q4 shortfall relates to several major rolling stock platforms, where development and industrialisation phase are happening at the same time and are taking longer-than-expected.

As a result, homologation has been delayed and additional costs have been incurred. Resources remain engaged for longer, testing phases are extended, and in some cases, retrofits are required.

These factors are putting pressure on near-term margins and cash. They do not lead to deliveries being cancelled, but rather delay them on the associated cash inflow. In parallel, the Group is finalising a limited number of contracts, where additional challenges were identified during project reviews in the fourth quarter.

This slide highlights the margin impact of execution inconsistency on industrial inefficiencies. In short, we should be operating at a gross margin level much closer to the 16% to 16.5% implied in the backlog. This gap is not structural, and closing it is my number one priority.

Before defining solution, it is critical to fully understand root causes. First, planning execution is often impacted by insufficient end-to-end coordination between teams, suppliers, customers, and regulatory authorities, leading to overlaps in development, industrialisation, testing and homologation.

Second, while our engineering capabilities are strong, we need to reach a level of quality and technology in order to have a maturity which come faster with a clear right first-time approach.

Finally, development and manufacturing are often organised through highly optimised but complex setups. When project management is not strong enough and business processes are not fully aligned across the Group, this can lead to blurred accountability and execution inefficiency. These issues can be fixed, and the team and I are fully focused on delivering tangible operational improvements.

In the meantime, on this slide, you see that we are already launching a number of pragmatic short-term actions that can start making a difference quickly.

First, we are reinforcing lean operating discipline with shorter management cycles, faster decision-making and earlier issue identification closer to the shop floor.

Second, we are strengthening accountability across teams by clearly defining roles and decision rights. We are simplifying the way we work so teams can focus on execution rather than coordination.

Third, we are maintaining a lean cost base with resources prioritised towards critical projects and spending tightly linked to delivery needs.

Finally, we are accelerating procurement actions through faster sourcing, increased standardisation and better leverage of our order book in supplier negotiations. These actions contribute to core execution fundamentals. We will be implementing these actions with determination, and I will keep you regularly informed on how we are progressing.

In the meantime, we are preparing for deeper operational changes. And by deeper changes, I mean aligning offering, footprint, and operation organisation.

This concludes my preliminary remarks. I will now hand over to Bernard for the financial review.

**Bernard Delpit:** Good morning, everyone.

As shown on slide 15, Alstom recorded €27.6 billion of orders in the fiscal year. The book-to-bill ratio was 1.4 at Group level. As a result, the backlog reached €104.4 billion compared with €95 billion at the end of March 2025. The increase was driven by strong order intake, partly offset by negative currency effects. All product lines contributed to growth of the backlog.

In Rolling Stock, the book-to-bill was also 1.4. It's important to underline that this performance was in part supported by several options exercised during the year. Those options represent 37% of the order intake of the Rolling Stock product line. This includes Avelia Horizon high-speed trains, RER NG commuter trains in Paris, New Jersey Transit trains in the US, and Coradia Max regional trains in Germany.

This reflects the strength of our platforms and the quality of the discussions we have with our clients rather than a purely opportunistic commercial decision to tender. And of course, orders booked as options have a different cash impact compared to new orders.

Signalling had a record year for order intake. We secured major contracts in Italy, Taiwan, Brazil and Singapore. In Services, order intake accelerated in the second half of the year, driven in particular by operations and maintenance contracts in the US and Canada. While the share of backlog from Services decreased slightly to 38% at the end of March '26, we continue to ambition a share of above 40% in the short term.

Looking at regions, the Americas delivered their best year ever, including a large commuter train order in New York. Europe continues to stand as the largest region for Alstom, supported by strong momentum in France, as well as flagship contracts in Portugal and in Poland.

Turning to sales on slide 16. Sales reached €19.2 billion for the year, up 7.2% on an organic basis. All production lines, with the exception of Systems, contributed to sales growth.

Rolling Stock sales totalled €10 billion, representing 9% organic growth. This reflects good momentum in France, particularly supported by the RER NG programme, continued momentum in Asia Pacific with locomotives in India, and project execution in Italy.

Services sales reached €4.7 billion, with 7% organic growth, supported by strong performance in Italy, the UK, Australia and airport people movers in the US. Sales in Signalling came in at €2.7 billion, with 8% organic growth, driven by robust execution in France, Italy, and Germany.

Reported growth was more modest, 2%, mainly due to the deconsolidation of the North American conventional Signalling business.

Finally, Systems' sales totalled €1.8 billion, representing a 5% organic decline. Performance was impacted by the ramp down of the Mexico Tren Maya contract, which was not fully offset by ramp ups in the Philippines, Taiwan, and Brazil.

Looking at inorganic items, foreign exchange was a 2.8 point headwind, driven by euro appreciation against most currencies. Scope at a negative 0.6 point impact also. On a reported basis, sales therefore increased by 3.7% during the fiscal year.

Let me now turn to the P&L on slide 17.

Gross margin was €2.5 billion for the fiscal year, representing 13.3% of sales. This is a decrease of 80 basis points compared with the previous fiscal year. Excluding scope and currency, the gross margin percentage decreased by 60 basis points. On the one hand, we continued to make progress on industrial efficiency, contributing 50 basis points to gross margin. While total car production declined at Group level, production increased in countries that previously had excess capacity. In particular, production in Germany almost doubled compared with the prior fiscal year.

On the other hand, this improvement was more than offset by project execution challenges. These mainly relate to higher-than-expected cost at completion on several rolling stock projects. This resulted in a negative impact of 110 basis points on gross margin. Despite currency, scope, and gross margin headwinds, adjusted EBIT was broadly unchanged at €1.2 billion compared with the prior fiscal year.

Turning to slide 18 and the analysis of adjusted EBIT margin development for the fiscal year. Scope and currency had a negative 30 basis point impact. Adjusted for these items, adjusted EBIT margin was stable compared to the prior year. For the reasons I just discussed, gross margin was a headwind on adjusted EBIT margin for 60 basis points. R&D expenses accounted for 3% of sales in the year, 20 basis points higher than in the prior fiscal year, with stronger spend in H2 compared to H1 as per plan.

Headwinds from gross margin R&D were offset by continued tight control cost on SG&A, contributing to 40 bps improvement, as well as a strong performance of joint ventures contributing 40 bps. I would stress that the latter reflects strong performance for JVs overall, but also an exceptional contribution from one specific JV in China upon the successful completion of propulsion contracts.

Together, adjusted EBIT margin was down 30 basis points to 6.1%.

Looking at net profits on slide 19. Non-operating expenses have reduced to €155 million in the fiscal year. Non-operating expenses mostly related to rightsizing initiatives of the footprint in Belgium, in France also, and the German transformation plan and some legal costs. As a reminder, integration costs were nil in the fiscal year as Bombardier's integration programme was included in the prior fiscal year.

Net financial expenses decreased to €165 million from €214 million last year, thanks to lower interest charges and benefit from currency hedging compared to the prior year.

Effective tax rate was 35%, stable compared to the prior year, reflecting some depreciation of deferred tax assets in a limited number of countries with a structural tax rate remaining around 27%.

Finally, adjusted net profit increased by 12% to €559 million for the year.

Turning to free cash flow on slide 20. Free cash flow came at €336 million, in line with guidance. Let me highlight a few items. Adjusted EBITDA was €1.5 billion, broadly unchanged compared to the level of the prior year.

CAPEX and Cap Dev together amounted to €567 million, up €85 million compared to the prior year, representing 3% of sales, in line with the medium-term view. Financial and tax cash out together amounted to €356 million, similar to the level recorded in the prior fiscal year. This resulted in funds from operations of €507 million for the fiscal year, down compared to €553 million in the prior fiscal year.

Finally, working cap was a €171 million headwind last year.

Turning to trade working cap on slide 21. Trade working capital stood at 29 days of sales at the end of March, compared with 34 one year ago. The change in trade working capital resulted in an actual cash inflow for €119 million over the year, with a stronger contribution in the second half. Trade working cap has been more tightly managed in a context of greater contract working capital consumption.

Payables and inventories days have converged, standing at 82 days and 81 days, respectively.

Let me now turn to contract working cap on slide 22. Contract working cap moved from a favourable 89 days of sales one year ago to 81 days at the end of March, and now stands at negative €4.3 billion, less favourable than last year, where it was negative €4.5 billion.

Over the year, contract working cap represented a cash outflow of close to €300 million. Contract liabilities, net of contract assets, decreased from a favourable 59 days one year ago to 55 days at the end of March. Solid down payments and the continued contribution from well-financed contracts supported contract working cap. This was offset by a higher proportion of projects in ramp up compared with last year.

During this phase, pre-series cars are being produced and key homologation milestones have not been reached. Rolling stock projects typically move from a contract liability position to a contract asset position, therefore consuming working capital.

Finally, provisions continue to decrease by €177 million as expected, reflecting the ongoing execution of the legacy backlog.

Turning to slide 23 on cash seasonality. In last fiscal year, seasonality was more pronounced than two years ago. But overall, it remained fairly consistent with the normal pattern of our business that we have already underlined over the last two years. As a reminder, the first half of the fiscal year has fewer working days than the second half, and therefore lower production, fewer deliveries and lower cash inflows.

As a result, in any given year, we typically see a cash imbalance between the two halves corresponding to an €800 million to €900 million drag on free cash flow in H1. This imbalance can then be mitigated or could be amplified by the timing of down payments as well as by trade working capital management.

In fiscal year '26/'27, cash consumption was €740 million in the first half, followed by cash generation of €1.1 billion in the second half. The phasing of down payments ended up relatively even throughout the year. In the first half, the slightly better-than-expected cash consumption was driven by strong receivables collection and the lower buildup of contract assets.

In the second half, cash generation improved in line with the usual seasonal pattern, although cash collection for milestone achievements was lower than usual. This was partly offset by effective trade working capital management.

Turning to fiscal year '26/'27, we expect seasonality to be more pronounced than last year for three reasons. First, trade working cap is expected to be a drag in H1 due to activity. Second, down payments are expected to be more weighted towards the second half. Third, the phasing of milestone payments in Rolling Stock will also be even more H2-weighted than usual, partly reflecting the progress made on some contracts currently undergoing homologation and a number of commercial negotiations.

As a result, we expect cash consumption of around €1.5 billion in H1, followed by strong cash recovery in H2 to generate positive free cash flow for the year.

Slide 24 shows how net financial debt slightly decreased to €404 million at the end of March '26 compared to €434 million one year ago. In addition to free cash flow, leases, dividends to minorities, combined with the hybrid bond coupon amounted to around €250 million total cash outflow during the fiscal year. The €53 million of FX and others largely relate to the negative translation effect from the appreciation of the euro on cash balances held in non-EUR-denominated currencies.

You will find in appendix of this presentation the updated bridge computation from enterprise value to equity value reflecting these evolutions.

Now, the cash generation trajectory update is, of course, not the one we anticipated when we issued the €1.5 billion cumulative free cash flow generation over the three years through to fiscal year '26/'27. Having delivered around €500 million in fiscal year '24/'25, €336 million in the last fiscal year, the free cash flow guidance of positive for fiscal year '26/'27 issued last month mechanically implies a €600 million to €700 million shortfall compared to the plan.

In simple terms, this can be explained by around €100 million of currency headwinds, €100 million of investments being put forward, and around €450 million of lower-than-expected margin resulting from additional costs linked to specific rolling stock projects, some in ramp-up phases and some nearing completion.

Last, turning to slide 25. The Group commitment to investment-grade grading and conservative financial policy are unchanged. We have opened discussions with the credit agency that issued a position paper on 21<sup>st</sup> April, with rating unchanged based on preliminary '25/'26 results and '26/'27 updated outlook that we confirm today.

Looking at liquidity, cash and cash equivalents stood at €2.3 billion at the end of March, broadly unchanged compared with one year ago. In addition, the Group has access to a €2.5 billion revolving credit facility and a €2.5 billion commercial paper programme, both of which were undrawn at the end of March. Taken together, this provides the Group with strong liquidity to support working capital needs.

Turning to debt maturity. A €700 million bond will mature in October this year. We plan to refinance this maturity, balancing liquidity, cost and leverage ratio in line with our commitment to investment-grade rating.

This concludes my comments on the financial performance. I will now hand it back to Martin for the outlook.

**Martin Sion:** Thank you, Bernard. As discussed last month when we released preliminary figures, we adjusted our objectives for fiscal year '26/'27 following the execution challenges we are facing.

In a context of strong rail market, we guide for a book-to-bill ratio above 1 at Group level, but below the level reached last year in '25/'26. We expect organic sales growth of around 5%, driven by improved execution in Rolling Stock and continued growth in Services.

Adjusted EBIT margin is expected to recover to around 6.5%. This reflects a step-up in gross margin from the very low level seen in the second half of '25/'26, which was impacted by a limited number of projects. These projects are now under tighter monitoring, particularly during their ramp-up phase.

We also guide for positive free cash flow. EBITDA is expected to improve year-on-year, while capital expenditure will increase to support new platforms and services growth. We expect working capital headwinds, mainly in the first half.

Improving project-related working capital is a clear priority, and I will engage directly with key customers. This is not the trajectory we set at the beginning of 2024. While issues became visible in the last quarter, the underlying gaps in operational excellence have existed for some time. Our current operational performance does not yet meet the standards expected from a world leader.

The integration of two companies with different cultures and operating model has not fully translated yet into a robust and consistent delivery model. There is no quick fix in this industry, but I believe that proven ways of working that I have learned and applied during my career can be used here.

Over the coming months, I will review our strategy on commercial approaches to ensure that offering, operations and footprint are consistent and to make sure we are maximising opportunities in Signalling and Services. The outcome, together with our financial ambitions, will be presented at a Capital Markets Day in early 2027.

What Alstom needs is not just another cost-saving plan. We must address execution issues at their root. Successful implementation of the operational plan presented at the CMD is critical to bolting Alstom back on track for profitability improvement towards 8% to 10% and cash generation in line with best-in-class peers across our segments.

This concludes our presentation. Thank you. We can now open for Q&A.

## Questions and Answers

**Operator:** If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your

telephone keypad. The next question comes from Akash Gupta from JP Morgan. Please go ahead.

**Akash Gupta (JP Morgan):** Yes. Hi. Good morning. I got two. My first one is for Martin. In your press release comments, you said that execution on some major rolling stock contracts continue to weigh on near-term margins and cash generation. I'm wondering if you can give us some indication of how many orders are we talking about here, and how does these compare to your overall €104 billion backlog? We have heard about these projects before, and also if you can clarify, are they still the same versus what was talked before, or has there been any addition to the list?

The second one I have is for Bernard, and that is the margin outside of Rolling Stock. We give a lot of attention to Rolling Stock, but maybe if you can talk about if we take Rolling Stock out and look at the margin for other businesses, how does last year compare to year before? And then when we look at margin in current financial year '26/'27, what have you embedded in your guidance, which imply 40 basis points at Group level? Thank you.

**Martin Sion:** Okay. Maybe I'll take the first one. So we don't communicate which are the projects which are facing the difficulties. But to give you some light on the situation, in the past, we have usually focused our attention on some difficult low-margin programmes coming from the legacy Bombardier.

Today, we have to recognise that we have also some difficulties on the more recent programmes, especially some of them were in the late phase of their development. It is a part of the development where we are making the validation, the homologation, and in parallel, the production ramp-up. We have been late in some engineering projects, which created late homologation, and this late homologation triggered engineering changes, which pushed us to order new parts to supplier and disrupted the production and leading also to retrofit.

This is a kind of topic that we are facing, and this is also a kind of problem that we have because we have a lot of new products in our different product lines. This is a topic which will be solved when we will be in a serial mode, because in serial mode, our products are good in terms of quality and in terms of cost. So it's really the end of development programmes which are facing the most difficulties.

Bernard, maybe you can take the second part of the question.

**Bernard Delpit:** Yes, Akash. Definitely Rolling Stock here in the product line where we had those difficulties in '25/'26, and where we need to see some recovery in '26/'27. Well, that's our guidance.

For the other product lines, Signalling was doing very well, and we expect this performance in terms of percentage to be pretty stable next year. Services did also pretty well, and we expect next year an increase in sales and an increase also in performance.

We don't disclose margins by product lines, but let's consider that we can see stability in Signalling, improvement in Services looking at other than Rolling Stock product lines.

**Akash Gupta:** Thank you.

**Operator:** The next question comes from Gael de-Bray from Deutsche Bank. Please go ahead.

**Gael de-Bray (Deutsche Bank):** Thanks very much. Good morning, everybody. Martin, I think you've talked a lot about restoring consistent execution. But do you think that the company also needs to rethink entirely the Group's commercial strategy and perhaps become far more selective than before, especially around the Rolling Stock category? And I guess the question is, from a balance sheet perspective, obviously if you're becoming more selective, there is a kind of a trade-off between the near-term pains on the cash flow side and the long-term gains. So how long do you think the Group could afford being more selective with lower down payments impacting cash flows?

**Martin Sion:** Thank you for the question. First, there is two aspect to the question. On selectivity, what I've observed is that there is a strong process which has been put in place in recent years, in order to have golden rules and to be sure that we bid only on good bid. I think that this is recognized by the increased margin in the backlog, but also by the fact that, I believe, that the level of risk which is embarked in this order book is better than in the past.

Nevertheless, we have to progress in that. It comes also to a topic of strategy. It is, where do we want to be present? Today, we have identified 13 priorities in terms of markets. What kind of offering do we want to do on these different markets? And this is a topic I will look at in the next months and which will be part of what we will present in the CMD. Because you're right, the market is very strong, so we have a lot of opportunities, and for us it's important to focus on lower risk, at the same time with good gross margin. The level of risk that we embark is key.

Today, the guidance we are giving is a book-to-bill, which is higher than one. But when we say that we don't plan to have the same level of order intake than last year, it also shows that our ambition is really to be selective. We are taking orders because it's necessary in a project company. I mean, that's that the blood of a company to have new projects. We should not be driven by down payments.

**Bernard Delpit:** Yeah. Maybe Gael, I will do a follow-up on this one. Definitely, we do not take new orders for cash reasons. I mean, I do not see a single of the order intake in the Rolling Stock product lines that we have taken, that we have been awarded in '25/'26 that has been done for only cash reasons. By the way, it's a decision of the client whether the contract, it's not us.

We have raised the bar in terms of cash curve. What we have seen in some, I would say, cash-in headwinds this year is coming from progress payments that are not in the timing that we expected. Okay? And the down payments from new order has a limited share of total cash-in into this year.

So I would definitely decouple the question of liquidity and balance sheet management and the question of selectivity that has to do with the quality of the execution. That is another topic that we will address during the Capital Markets Day.

**Gael de-Bray:** That's very clear. Thanks very much.

**Operator:** The next question comes from Daniela Costa from Goldman Sachs. Please go ahead.

**Daniela Costa (Goldman Sachs):** Hi. Good morning. I have two questions. The first one is kind of going back to the backlog and how quickly you can act on things in the backlog. I was wondering if you could help us understand what the percentage of products is at each phase.

How much of your backlog is kind of in the early design phase, early ramp-up phase, and the well advanced stuff where it might be hard to act because too much has already happened that compromises maybe the gross margin going forwards. It would be interesting to know that.

The second question just regarding sort of your points you made before on the balance sheet. I was wondering if you would also consider, like you did some years ago, some inorganic measures to further strengthen the balance sheet before the refinancings and the other things you've mentioned. Thank you.

**Martin Sion:** Maybe I have to clarify what is my ambition in terms of operational excellence. I don't focus on solving a few projects in terms of improved delivery, better right first-time engineering, etc. What I believe that we have to do and that what we are starting to do is to put the system under tension in order to improve our operational efficiency across the board and to improve all projects, even the projects which are going well.

And so, yes, the problem that we have had last year, which led to the change of guidance were a limited number of projects. But what needs to be done and what we are starting is to improve the performance on all projects and to improve our lean standard in all our shop floor and all our engineering office. So I don't think that it should be a good way to measure the speed at which we will recover based on only a few projects. It's more the speed at which we will improve the performance in all shop floor, all design office.

And as I said, it is a progressive improvement that we are expecting and that we have put also in our guidance '26/'27. Bernard?

**Bernard Delpit:** Yeah. I will take the second one on balance sheet. The current rating position does not rely on inorganic actions. Current metrics are in line. Next year metrics are in line without inorganic actions, but selective measures could provide opportunity upside, and that's part of the review of the new CEO. It's not needed from a balance sheet and rating point of view.

**Daniela Costa:** Got it. Thank you.

**Operator:** The next question comes from Vlad Sergievskii from Barclays. Please go ahead.

**Vlad Sergievskii (Barclays):** Gentlemen, good morning. Thank you very much. I'll ask a couple one by one. First one is on provisions, which appear to be supporting profitability in the second half. New risk on contract provisions were at the lowest level since 2021. Could you help us to reconcile such a low level of new provisions with actually very high order intake, steady revenue growth and several problem projects that you actually highlighted today?

**Bernard Delpit:** Okay. I will take this one. Risk on contracts, I mean, the provisions are down from €921 million to €866 million. So it's a variation of €55 million, so that's not a huge impact. It's driven by the natural loss contract per provision burn-off that comes naturally with the completion of such contracts. I see the trend in provisions on contracts totally consistent with the end of such legacy contracts.

**Vlad Sergievskii:** Understood. Thank you. I was talking about new provisions, right, which were at a lower level compared to the prior periods. If I can also ask on contract assets.

**Bernard Delpit:** If I may do a follow-up on your comment. On new contracts, we don't take provisions because we do not take any onerous contracts. So we might revise the gross margin at completion, but not create provisions for losses.

**Vlad Sergievskii:** Understood. Thank you very much for that. If I can ask about contract assets. It's obviously another half year of increase. It has been steadily increases for two years. Have you done the full review of the quality of contract assets? And are you comfortable that all the €6.5 billion are genuine assets that will be invoiced to customers in the due course? And would you be prepared to commit when do you think contract assets for Alstom will start going down?

**Martin Sion:** What I did is an extensive review with all regions on their full business and regions at work contract-by-contract. But at my level, what I did so far is regions by regions. We did also the first management business review, and we will adapt the governance to be more focused on deliveries.

Today, I don't have the figure, and maybe, Bernard, you can help me on that, to see when will the contract asset decrease. What we are looking at is how we can improve deliveries, how we can improve working cap project-by-project, not contract assets directly.

But maybe, Bernard, you can help me on that.

**Bernard Delpit:** Yeah. Maybe a follow-up on this one. Definitely, yeah, we plan to reduce contract assets. That's part of the plan. The timing is subject to some, I would say, action. So I will not commit on anything like that today.

But just again, to look at that, I mean, contract assets, yes, indeed, have increased. Contract liabilities also have increased. As you know, we look at the net of that, and the net of that has just increased by €85 million. So when we work on a backlog of over €100 billion, a variation of €85 million is something, of course, that is significant on a yearly basis. When we look at the scale of what we are doing, I don't think it's that material.

On top of that, what I wanted to say that the €600 million increase in contract assets is €400 million for Rolling Stock, but €200 million for Services. One part of that you may have missed is the impact of CPA, so inflation, escalation of our prices that we recognise year-on-year. But in terms of cash, sometimes it comes at deliveries or at the end of the contract. So this inflation impact that has been quite significant in last year plays, in a way, a role in the increase of contract assets and in the gap between margins and cash.

**Vlad Sergievskii:** Thank you very much for providing all those helpful details, gentlemen.

**Operator:** The next question comes from Delphine Brault from ODDO BHF. Please go ahead.

**Delphine Brault (ODDO BHF):** Yes. Good morning. Thanks for taking my questions. I have two. First, your Chinese JV contributed significantly to adjusted EBIT, plus 40 bps. How sustainable is this contribution? You mentioned notably an exceptional contribution. So what should we expect for this year?

And second, if I remember correctly, two years ago, you stated that working capital should deteriorate by a cumulative €1 billion over three years. Is this assumption still valid? Thank you.

**Martin Sion:** Maybe I can take the first one. The contribution of China's JV in '25/'26 was exceptional. So what we have put in our guidance is a normalisation of the contribution of Chinese JV to our P&L.

**Bernard Delpit:** Yeah. Just to be sure, Delphine, I mean, having a great contract execution of some of our JVs is good news. By the way, some deterioration in some contracts has the same nature of one-off as a good contribution in China from some JVs. It is on two different lines in terms of P&L. Maybe the governance is not the same, but the nature of it is totally consistent with what we see in the execution of other contracts in the gross margin.

Now, back to your second question. The deviation that we have seen in the third year of the €1.5 billion cumulative cash guidance is coming from margin deviation, FX and CAPEX. We could consider that part of the CAPEX increase is part of the €1 billion headwind that we explained two years ago. The rest is pretty new, so I still see some headwinds coming from the change in the mix and to kind of normalisation of the working cap. So I would say the story is the same.

**Delphine Brault:** Thank you.

**Operator:** The next question comes from Jonathan Mounsey from BNP Paribas. Please go ahead.

**Jonathan Mounsey (BNP Paribas):** Thank you. Good morning, everyone. Maybe a couple of accounting questions. Obviously, you report today on the same day as Siemens does. I'm just looking at Mobility today. They actually cut guidance on revenue. And as I understand it, the reason they did so was because US tariffs have an impact on cost, and obviously they are recognising revenue on IFRS 15, and that therefore has an implication. So their actual revenue is missing, and it will miss all year versus previous expectations. Is there potentially a similar effect to come for you, too?

And just secondly, on interest costs. You will be refinancing that, I think, €700 million in October. Obviously the coupon is exceptionally low on the existing bond. I guess we can expect interest charge to rise over the final six months of the year and obviously for the year to follow. Could you give any guidance on what the impact of all that is likely to be, please? Thank you.

**Bernard Delpit:** Good morning, Jonathan. Yeah, by the way, we have the same IFRS rule as Siemens, just to be sure you get that. But for us, the US tariff situation is pretty different. I mean, 85% of what we do in the US is Buy American compliant, so we do not have the same impact, and that's something that we explained for the last 12 month.

We discussed with the clients, and there is a kind of re-invoicing of the impact with the clients. So no major impact such as the one you mentioned before. By the way, the situation needs some clarification in terms of legal framework, in terms of tariffs and impacts on clients.

To make a long story short, we do not see at all the same impact on gross margin at completion and revenues as the one that you mentioned.

On financial cost, the answer is, yes, the refinancing will have an impact. The interest on the bond that is maturing in October was almost nil. So by definition, when you look at the interest rate situation, it would go up. So we expect total financial expenses to this year compared to last year.

**Jonathan Mounsey:** Yes. Thank you.

**Operator:** The next question comes from Andre Kukhnin from UBS. Please go ahead.

**Andre Kukhnin (UBS):** Good morning. Thank you for taking my questions. Can I just start with thinking about the profit bridge for the fiscal year that you've just started, 26/27. When we get there in a year's time, how do you expect it to look vis-à-vis the guidance for 40 basis points margin improvement? Is that from kind of project execution issues not reoccurring? Do you expect further operational improvement like you saw 50 basis points in 2026? Just want to understand how you see the mix of these likely conflicting drivers to play out in the next 12 months?

**Bernard Delpit:** Hi, Andre. I will take this one. So to make it very simple, we see 50 bps negative coming from a combination of higher R&D and normalisation of JV contribution, and 100 bps improvement coming from gross margin increase, which is going to be, again, a combination of many things in many contracts, plus 10 bps coming from maybe FX but no more scope impact.

To make it very simple, 50 bps headwinds from higher R&D, lower JV contribution, and in the region of 100 bps improvement in gross margin.

**Martin Sion:** Maybe I can add something here. You could wonder why we are increasing R&D. The increase of R&D is a decision in order to speed up the maturity of technologies on platform below bid and tenders, so that we de-risk contracts. I believe that this is one of the good decisions in order to be more predictable in what we deliver in the gross margin of the projects.

**Andre Kukhnin:** That's really helpful. Thank you. And obviously, this bridge is a year-on-year impact. Can you help us quantifying the kind of the overall burden on the margin now from the execution issues? Is that the 60 bps that you incurred in fiscal 2026? Or I guess that's added up over last couple of years at least.

**Bernard Delpit:** Yeah, I can take this one. When you add up all the impacts on the last years, yes, I mean, the total contribution of project execution was a negative in the 150 bps region as a total. Part of that was compensated by the improved industrial efficiency, but project execution by itself is weighing something in the 150 bps region as a total this year.

**Andre Kukhnin:** Great. Thank you very much for your time.

**Operator:** The next question comes from James Moore from Rothschild & Co Redburn. Please go ahead.

**James Moore (Rothschild & Co Redburn):** Good morning, everyone, and thank you. I've got a short one on free cash margins and a longer one on engineering, and perhaps we should go one at a time.

Just on the free cash flow margin, Martin, you talked a bit about a longer-term ambition of being in line with the best-in-class peers. I think your German friends have been rolling close to 10% free cash margins for a few years, with the odd exception, versus your zero this year or one to two over three years. I understand there's no quick fixes. I just wonder, how long do you think that would take? Is it a five-year story or a 10-year story? That's the first question.

**Martin Sion:** Okay. I understand the question. I was expecting it. This is typically what we plan to work on in the next months in order to have a comprehensive presentation at the Capital Markets Day beginning of next year. I think it would be presumptuous, I've not been here for more than two months, I mean seven weeks exactly, to tell you how long it will take. But it's clear that our ambition is to be at the benchmark of the market.

**James Moore:** Very fair answer. Could you talk a bit about engineering, please? Sort of a freeze discipline and standardisation. I mean, from your own understanding, have you got to the idea yet as to what Alstom is doing in terms of percentage of value engineering? How much is at design freeze today, and whether you'd like to change that, and whether you'll say no to bespoke customer specs, even at the cost of orders? And where you see the biggest productivity bottlenecks today on that? Is it design validation or more homologation or more supplier readiness or factory flow? Just to understand what you're seeing at this early glance on the problems.

**Martin Sion:** Okay. I mean, you have identified a lot of the root causes. First, it starts by the bidding and the selectivity of the process. And it's true that in the golden rules that have been set in Alstom in order to decide if we bid or not bid, the proximity of what the customer is expecting compared to an existing platform is something which is absolutely important.

The way we measure that, the way we identify what are the gaps between what we already do and what the customer needs has to be very strong. In the past, sometimes we underestimated the number of modifications that we had to do, and then it has a domino effect because it creates extended development, desynchronisation between developments on the same platform.

This is one of the pillar of what we need to do to improve. That's why left shifting some platform maturity before a bid is absolutely necessary.

Then the good thing that I see in our Rolling Stock product line is that we have a lot of new products which have been decided and which are being developed today in high-speed train, regional, etc.

So in the last five years, we have faced a lot of engineering activities. A lot of new people have joined us, which is a good asset for the future. But it's true that skill has been building progressively, and I think that we have to be very careful on the staffing and the way our teams are managed for that.

And the third topic I'd like to underline, and please remember, I'm new in this job, but what I see is that we have some complexity in the way we work between regions because I believe that the fact that Alstom is global is a very good thing. We discussed about tariff before, but even when we speak about engineering, because we are making a lot of development worldwide, which allow our team to gain experience.

Now we have to share this experience between regions, between countries. And what we are engaging today is to have a tiger team, which will help some critical projects in some regions, leveraging on skills which exist in other regions in order to make sure that we can leverage on all the skills existing in the company.

Today, I have to say that sometimes between engineering teams in different parts of the world, we have not been always with harmonised processes and seamless activity. Sorry if it was a little bit not very structured, but that's the way I see the situation in engineering.

**James Moore:** That's very helpful. Thank you.

**Operator:** Ladies and gentlemen, as a reminder, if you wish to ask a question, please dial pound key five on your telephone keypad. The next question comes from Martin Wilkie from Citi. Please go ahead.

**Martin Wilkie (Citi):** Thank you. Good morning. It's Martin from Citi. I just wanted to come back to the gross margins. And obviously, you've given for some time now the gross margin in the backlog, 18%. It's similar to where you were six months ago. And I know there's a lot of moving parts in that because there are your longer-dated contracts in Services and Signalling and things like that. But I was surprised that that number hadn't gone down slightly given some of the rolling stock contracts that you have at the moment that are going through the lower gross margin. Can you just give some of your thoughts as to sort of why that remains unchanged and what you're effectively embedding in terms of the assumed remaining gross margin in the backlog for some of these problematic rolling stock contracts? Thank you.

**Bernard Delpit:** Hi, Martin. This is Bernard. I will take it. So yeah, the gross margin is pretty stable. It's up 20 bps year-on-year, so a lot of moving parts. On the plus side, positive side, I think the quality of order, I will not quantify it, but it's true that the quality of the order intake is still very good with a kind of a strategic bidding approach, focusing on the good opportunities, maybe more pricing discipline across the industry as well. So that was a positive.

On the negative side, the mix this year was not as good as last year because you've seen a very strong book-to-bill on the rolling stock side. So that was more a kind of headwind.

Same thing for the negative revisions of margin at completion. You've seen a quite strong impact in the gross margin that we have traded. That was discussed before some loss at completion and the reduction in provision as well. So the maximum impact came from the revision. The maximum negative impact come from the negative revisions of margin at completion. The vast majority of that came as an impact in the P&L as well as in the backlog, and still some to be traded when it's not onerous contracts and when the percentage of completion is not 100%.

And then, I must say we also take some, let's say, cautiousness in the way we book some contracts in order to have some buffers going forward. So these are all the moving parts when you analyse the gross margin over more than €100 billion backlog.

**Martin Wilkie:** Great. Thank you very much. And if I could have a follow-up just unrelated on car production. You've guided for an increase next year. I know it was slightly lower in the four quarter. And that does suggest that some of these throughput rates is going higher. Do we have any sort of measure as to what that looks like compared to what you might have thought a couple of years ago? So even though it's up sequentially relative to where you might have been thinking, is that car production level still lower than what you might have hoped if we were thinking of this a couple of years ago? Or is that back up to the level that you would have thought? Just to give us some sort of sense as to where you are in that trajectory of improving car production.

**Martin Sion:** Yeah. I was not there a few years ago, but I will try to answer it based on what I understood of the situation. I think that the capability of the company is to deliver much more than 4,500 in terms of industrial capacity, etc. And we did that, and we were aiming to higher number in the past, for sure.

At the same time, delivering a car in serial production is quite different in terms of workload, in terms of complexity than delivering a car which is in a ramp-up situation. So it's not always obvious to compare a situation where we had more serial production car and potentially simpler cars because a high-speed train is not similar to other car.

And so, we have to be careful when we are comparing the situation at several years of difference. When we have set this objective, it's clear that it needs significant improvement operationally in order to overcome the difficulty we had last year and to go further in terms of car deliveries.

**Martin Wilkie:** Great. Thank you very much.

**Martin Sion:** Thank you. So it's now time to close this call, and so maybe a few words. This was my second call with the investment communities since the start of my mandate in seven weeks. My objective has been to be candid about where the Group is and where it is performing well, equally where we need to raise the bar in terms of level of execution and particularly in Rolling Stock.

To be clear, I'm mindful that there is a lot of work which remains to be done, and some actions have already been launched. Now the urgency is also to work on deeper changes. That's the purpose of what we will discuss in the Capital Markets Day at the beginning of '27. Thank you for your time, and have a good day.

**Operator:** Thank you, ladies and gentlemen. The live presentation is now over. You may now disconnect.

[END OF TRANSCRIPT]