

5 November 2014

Record high orders and improving profitability in Alstom's first half of 2014/15, Key milestones achieved in the project with General Electric

In the context of the project between Alstom and General Electric, and in compliance with IFRS 5, Thermal Power, Renewable Power and Grid activities, as well as some corporate costs, have been classified as Discontinued Operations; they are therefore not included in orders, sales, income from operations and are reported under the "net income – discontinued operations" line.

Between 1 April and 30 September 2014, Alstom booked a record €6.4 billion of orders, more than twice the level of last year's first-half. The book-to-bill ratio, at 2.1, was notably boosted by a €4 billion contract in South Africa. Over the same period, sales were up 13% organically, amounting to €3.1 billion. The operating margin (after corporate costs) improved by 30 bps thanks to the increase in sales, the progressive implementation of the d2e performance plan and despite ramp-up costs of new platforms.

Group net profit (continued and discontinued) reached €255 million and free cash flow at €(1,376) million was mainly affected by negative working capital change.

The project between Alstom and General Electric is moving ahead, with works council consultations completed, the sale contract and other agreements signed as well as the French Foreign Investment authorisation obtained. Alstom's General Meeting, where the approval of the transaction will be submitted to the shareholders' vote, is to be convened on 19 December 2014.

Key figures

(in € million)	30 September 2013 *	30 September 2014	% change reported	% change organic
<i>Actual figures</i>				
Orders received	2,741	6,407	134%	136%
Backlog	22,638	26,933	19%	17%
Sales	2,702	3,056	13%	13%
Income from operations**	126	152	21%	
Operating margin	4.7%	5.0%	-	
Net income – Continued operations	105	29	(72)%	
Net income – Discontinued operations	270	226	(16)%	
Net income – Group share	375	255	(32)%	
Free cash flow	(503)	(1,376)	-	

* Restated from IFRS 5 and IFRS 11

**After corporate costs

"The project with General Electric is progressing well. Following the completion of the information-consultation with works councils we have signed the final agreements with General Electric. The French Foreign Investment authorisation has also been granted. Alstom's Board of Directors has consequently decided to call for a shareholders' meeting on 19th December to vote on the transaction. Should the shareholders approve it, General Electric's offer would still be subject to authorisations from regulatory and competition bodies in a number of jurisdictions. After completion of this transaction, the Group will focus on its Transport business with positive perspectives for sales growth and operating profit improvement. Alstom would rely on a strong balance sheet, as a large part of the proceeds from General Electric will be used to reinforce the Group and support its development. We will communicate on the targeted balance sheet structure, including the amount of cash to be returned to shareholders with the publication of the Board of Directors' report in view of the General Meeting. Concerning the first half of the year, Alstom registered a record high level of orders thanks to a number of large projects, including a jumbo contract in South Africa for around €4 billion. Sales grew a strong 13% organically and the operating margin improved by 30 bps", said Patrick Kron, Alstom's Chairman & Chief Executive Officer.

H1 2014/15 results

Record high level of orders

Alstom registered €6.4 billion of orders in the first half of 2014/15, or more than twice the level of the same period in 2013/14, benefiting notably from a jumbo rail contract in South Africa for 600 suburban trains associated with maintenance over 18 years. Orders were also boosted by strong demand for urban transportation and signalling, including turnkey tramway systems in Qatar and in Algeria, rapid transit trains in Australia and a signalling system in Spain.

Strong organic increase in sales and steady progress in operating margin

In the first half of 2014/15, Alstom's sales reached €3.1 billion, up by a healthy 13% organically, with more particularly deliveries of suburban, intercity and very high speed trains in France, Germany and Italy as well as high speed trains in Poland and in Morocco, and tramways in Dubai. Emerging countries represented around one third of sales.

Income from operations, at €152 million, which includes a share of corporate costs allocated to Alstom Transport activity, showed a steady progress, increasing by 21%. The operating margin, at 5% after corporate costs, improved by 30 bps thanks to sales growth, sound project execution and tight cost control, partly mitigated by ramp-up costs associated with new platforms.

Net income from continued operations was impacted in the first half of 2014/15 by high transitory financial expenses as well as heavy restructuring charges (€55 million).

Net income for discontinued operations amounted to €226 million, as compared to €270 million for the first half of last year, impacted by lower volumes and operating margin in the Energy businesses as well as some one-offs.

Free cash flow impacted by negative working capital change

Free cash flow from continued operations (before tax and financial cash-out) amounted to €(85) million in the first half 2014/15 and was affected by the unfavourable cash profile of some contracts executed during the period.

Free cash flow from discontinued operations (before tax and financial cash-out) stood at €(1,010) million due to lower sales in Energy impacting progress payments and adverse cash profile of some projects executed over the period.

The Group had a gross cash in hand of €1.0 billion at the end of September 2014 and a confirmed undrawn credit line of €1.35 billion. The €722 million bond maturing September 2014 was reimbursed on due date.

The Group's net financial debt amounted to €(3,896) million at 30 September 2014 versus €(3,038) million at 31 March 2014. This increase resulted mainly from the negative free cash flow partly offset by the proceeds from the disposal of the steam auxiliary components business.

Equity increased over the period, standing at €5,449 million at 30 September 2014 from €5,109 million at 31 March 2014.

Update on the project with General Electric

On 20 June 2014, Alstom's Board of Directors unanimously recommended the offer from General Electric to acquire Alstom's Energy businesses and to set up three alliances under the form of joint-ventures in some of these activities.

As of today, the information – consultation process with works councils is completed, the master agreement and all the related documentation are signed between Alstom and General Electric, and the French Foreign Investment authorisation has been obtained. Competition and regulatory authorisations processes are underway in a number of

jurisdictions. Consequently, the Board has decided to call for a shareholders' meeting on 19 December 2014, where the approval of the transaction will be submitted to the vote.

The sale proceeds would be used to provide the Group with a solid balance sheet structure, reimburse part of the outstanding debt before maturity and return some cash to the shareholders. The targeted balance sheet and the level of cash to be distributed will be communicated with the publication of the Board of Directors' report in view of the General Meeting.

Outlook

Over the current year, Alstom's sales are expected to grow at a high single digit and the operating margin (after corporate costs) to exceed 5%. Free cash flow from continued operations (before tax and financial cash-out) should be positive over the full-year.

Group global free cash flow is expected to be significantly positive in the second half.

For the medium term, sales are expected to grow at over 5% per year organically, and the operating margin should gradually improve within the 5-7% range. Free cash flow is expected to be in line with net income before Energy activities contribution with possible volatility on short periods.

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

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