Half-year financial report

As of 30 September 2017

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This document is a free translation of the French language original version

Société anonyme with a share capital of € 1,552,769,603
48, rue Albert Dhalenne – 93400 Saint-Ouen (France)
Tel. : +33 (0)1 57 06 80 00
RCS : 389 058 447 Bobigny
www.alstom.com

Management report on condensed interim consolidated financial statements,

As of 30 September 2017

MANAGEMENT REPORT

ON CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

HALF YEAR ENDED 30 SEPTEMBER 2017

1. Main events of half year ended 30 September 2017

1.1 Siemens and Alstom join forces to create a European Champion in Mobility

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business including its rail traction drives business with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies. Siemens will receive newly issued shares from the combined company representing 50% of Alstom's share capital on a fully diluted basis.

In France, Alstom and Siemens have initiated Works Councils' information and consultation procedure according to French law prior to the signing of the transaction documents. If Alstom were not to pursue the transaction, it would have to pay a €140 million break-fee. The transaction will take the form of a contribution in kind of the Siemens Mobility business including its rail traction drives business to Alstom for newly issued shares of Alstom and will be subject to Alstom's shareholders' approval, including for purposes of cancelling the double voting rights, anticipated to be held in the second quarter of 2018. The transaction is also subject to clearance from relevant regulatory authorities, including foreign investment clearance in France and anti-trust authorities as well as the confirmation by the French capital market authority (AMF) that no mandatory takeover offer has to be launched by Siemens following completion of the contribution. Closing is expected at the end of calendar year 2018.

As per the announcement of 26 September 2017, the French State did not exercise the call options on Alstom shares hold by Bouygues and restituted them on 17 October 2017. According to declaration published by the AMF (the French financial markets authority) on 25 October 2017, Bouygues holds 62,086,226 shares and 65,347,092 voting rights i.e. 28.15% of the capital and 28.95% of the voting rights of the Company.

Bouygues fully supports the transaction and will vote in favor of the transaction at the Alstom's board of directors and at the extraordinary general meeting deciding on the transaction to be held before 31 July 2018, in line with Alstom board of director decision.

1.2 Strong operational performance, growing adjusted EBIT margin and positive free cash flow

Group's key performance indicators for the first half of fiscal year 2017/18:

(in € million)	Half-year ended 30 September 2017	Half-year ended 30 September 2016	% Variation Sept. 17/ Sept. 16 Actual	% Variation Sept. 17/ Sept. 16 Organic
Orders Received	3,170	6,212	(49%)	(49%)
Orders Backlog	32,741	33,491(*)	(2%)	-
Sales	3,756	3,570	5%	5%
aEBIT	231	200	16%	
aEBIT %	*6.2%*	*5.6%*		
EBIT	194	168		
Net Profit - Group share	213	128		
Free Cash Flow	227	333		
Capital Employed	4,218	3,740		
Net Cash/(Debt)	(101)	54		
Equity	3,787	3,415		

(*) September 16 backlog has been restated from the contribution of staggered entities

1.3 Organic growth

Above mentioned figures are adjusted for foreign exchange variation resulting from the translation to Euro from the original currency, as well as change in scope.
The below table shows how we walk from actual to organic figures:

(in € million)	Half-year ended 30 September 2017 Actual figures	Scope Impact	Comparable Figures	Half-year ended 30 September 2016 Actual figures	Exchange rate	Scope impact	Comparable Figures	Sept. 17/ Sept. 16 % Var Act.	% Var Org.
Orders backlog	32,741	(62)	32,679	33,491 (*)	(738)	-	32,754	(2%)	-
Orders Received	3,170	(27)	3,143	6,212	(60)	-	6,152	(49%)	(49%)
Sales	3,756	(20)	3,736	3,570	(12)	-	3,558	5%	5%

(*)September 16 backlog has been restated from the contribution of staggered entities

The actual figures for the first half of fiscal year 2016/17 (orders backlog, orders received and sales) are restated taking into account the exchange rates of September 2017. Orders received during the first half of last fiscal year were impacted by the depreciation of the US dollar (USD), the British Pound (GBP) and the UAE Dirham (AED) against the Euro. Sales recorded last year have been impacted by an adverse translation effect mainly due to depreciation of the British Pound (GBP) against the Euro. As a consequence, orders backlog was also adversely impacted by depreciation of the US Dollar (USD), the Indian Rupee (INR), South African Rand (ZAR) as well as the UAE Dirham (AED) against the Euro.

In order to reflect the same scope of activity, actual figures for first half of fiscal year 2017/18 have been adjusted for the Nomad Digital acquisition made during fiscal year 2016/17.

1.4 Acquisitions and Partnerships

In order to better respond to its customer needs, Alstom has announced several strategic partnerships during the first half of fiscal year 2017/18.

Alstom and Airbus have entered into a strategic cooperation agreement in the field of cybersecurity. With growing Digital Mobility solutions, cybersecurity has emerged as a challenge for Alstom. The cooperation agreement will focus on risk management through the co-development of new analysis services concerning the vulnerability of transport systems, new core protection technologies and new generation of operational security centers adapted to the industrial sector.

Alstom has signed a technological cooperation agreement with Safran, an international high-technology group and a distinct leader of Aeronautics, Space and Defence. The agreement will focus on components and technologies for electric propulsion equipment and electric and hybrid propulsion systems as a whole for aircraft and public transport vehicles.

2. Objectives for 2020 confirmed

By 2020, sales should grow organically by 5% per year.

Adjusted EBIT margin should reach around 7% by 2020 driven by volume, portfolio mix and results of operational excellence actions.

By 2020, Alstom expects c. 100% conversion from net income into free cash flow.

ALSTOM

3. Commercial performance

During the first half of fiscal year 2017/18, Alstom's order intake was at €3.2 billion. The largest two new orders are associated with Citadis Spirit™ light rail vehicles for which we signed contracts with Metrolinx and Rideau Transit Group in Canada. In addition to this, Alstom won its first metro system contract in Vietnam as well as secured an additional order for the supply of 27 regional trains for Italy. First half of fiscal year 2016/17 included the signature of large-scale contracts in the USA for the supply and maintenance of high-speed trains, in the United Arab Emirates for the supply of an integrated metro system in Dubai and in the Netherlands for the supply of intercity new generation trains.

Geographic breakdown	Half-year ended				% Variation Sept. 17/ Sept. 16	
Actual figures *(in € million)*	**30 September 2017**	% of contrib	**30 September 2016**	% of contrib	**Actual**	**Organic**
Europe	1,535	48%	2,124	35%	(28%)	(28%)
Americas	907	29%	2,570	41%	(65%)	(64%)
Asia/Pacific	544	17%	267	4%	104%	106%
Middle East/Africa	184	6%	1,251	20%	(85%)	(85%)
ORDERS BY DESTINATION	**3,170**	**100%**	**6,212**	**100%**	**(49%)**	**(49%)**

Product breakdown	Half-year ended				% Variation Sept. 17/ Sept. 16	
Actual figures *(in € million)*	**30 September 2017**	% of contrib	**30 September 2016**	% of contrib	**Actual**	**Organic**
Rolling stock	1,330	42%	2,971	48%	(55%)	(55%)
Services	992	31%	1,596	26%	(38%)	(37%)
Systems	406	13%	1,268	20%	(68%)	(68%)
Signalling	442	14%	377	6%	17%	11%
ORDERS BY DESTINATION	**3,170**	**100%**	**6,212**	**100%**	**(49%)**	**(49%)**

In Europe, Alstom reported €1.5 billion orders received during the first half of fiscal year as compared to €2.1 billion during the same period last year. This performance was driven by a contract signed in Italy with Trenitalia for the supply of 27 additional "Jazz" regional trains, the Meridian range of Coradia™ designed mainly for Southern Europe. In addition, Alstom secured an additional order for the supply of 25 Coradia™ Continental electric multiple units in Germany. Also, Alstom has signed an eight-year contract for the maintenance of Skanetrafiken's Coradia™ Nordic regional trains in Sweden. As part of the contract, Alstom will use innovative digital tools like the TrainTracer™ predictive maintenance solution. In France, Alstom secured a contract for the renovation of RER B intercity trains and a contract to supply 22 Citadis™ tramways for line T9 in Ile-de-France region. Last fiscal year largely benefited from a contract signed in the Netherlands for the supply of Coradia™ intercity new generation trains.

In Americas, Alstom recorded €0.9 billion of orders as compared to €2.6 billion during the same period last fiscal year. During the year, Alstom signed a large contract with Metrolinx to supply 61 Citadis Spirit ™ light rail vehicles for the Greater Toronto and Hamilton Area in Canada. In addition to this, Alstom has also been awarded a contract by Rideau Transit Group for the supply of 38 Citadis Spirit™ vehicles for the extension of Ottawa's light rail system. The Citadis Spirit ™ range has been especially designed for the North American market, as it is capable of operating in extreme cold conditions. In the USA, Alstom secured an order to perform the midlife overhaul of 52 P2000 light rail vehicles of Los Angeles's Blue, Green and Expo lines. Last year's order intake for the same period notably included a jumbo contract signed with Amtrak in the USA for the supply of new generation high-speed trains and associated maintenance contract for 15 years.

During the first half of fiscal year 2017/18, Alstom reported €0.5 billion of orders in Asia/Pacific as compared to €0.3 billion during the same period last year. The growth was notably driven by the first integrated metro system contract signed in Vietnam for line 3 of Hanoi's metro. Alstom will notably supply 10 Metropolis™ trainsets, Urbalis™ 400 the Alstom's CBTC[1] solution which controls train movements. In addition to this, Alstom also signed a contract in the Philippines to provide an integrated metro solution to Manila which includes signalling and communication system, traction power supply and track work.

In Middle East/Africa, Alstom recorded €0.2 billion of orders as compared to €1.3 billion during the first half of last fiscal year. Current year orders notably included a contract signed to supply 15 new Coradia™ Polyvalent regional trains to Senegal connecting Dakar and the new international airport in Diass. The first half of last fiscal year was significantly impacted by a major contract awarded in the United Arab Emirates to supply an integrated metro system for Dubai's Red metro line.

Alstom received the following major orders during the first half of fiscal year 2017/18:

Country	**Product**	**Description**
Canada	Rolling stock	Supply of 61 Citadis Spirit™ light rail vehicles for Greater Toronto and Hamilton area
Canada	Rolling stock	Supply of 38 Citadis Spirit™ light rail vehicles for Stage 2 of Ottawa's Train Confederation Line
Germany	Rolling stock	Supply of 25 Coradia™ Continental regional trains for the region of Saarland
Italy	Rolling stock	Additional order for the supply of 27 "Jazz" regional trains, latest generation of Coradia™ Meridian range to Trenitalia
Philippines	Systems	Supply of integrated metro solution which includes signalling, communication system, traction power supply and track work
Senegal	Rolling stock	Supply of 15 new Coradia™ Polyvalent regional trains to connect Dakar and the new international airport in Diass
Sweden	Services	Maintenance of Skånetrafiken's 99 Coradia Nordic regional trains for eight years
USA	Services	Modernization of P2000 light rail fleet for Los Angeles
Vietnam	Systems	Supply of integrated metro system for line 3 of Hanoi which includes 10 Metropolis™ trainsets, signalling, power supply and depot equipment

[1] Communication Based Train Control

4. Orders backlog

On 30 September 2017, the Group backlog stood at €32.7 billion as compared to €33.5 billion last year at the same period. The backlog remained at the September 16 level once adjusted for an adverse foreign exchange translation effect (especially the USD, INR, ZAR, AED) for €(738) million. Large Rolling Stock orders over the last 12 months, notably in France, enabled the Group to increase its backlog in Europe, while the high execution pace of Alstom's System contracts in Middle East/Africa drove an expected backlog decrease for the region.

Geographic breakdown	**Half-year ended**			
Actual figures *(in € million)*	**30 September 2017**	% of contrib	**30 September 2016**	% of contrib
Europe	14,597	45%	13,811	41%
Americas	5,573	17%	5,746	17%
Asia/Pacific	5,203	16%	5,279	16%
Middle East/Africa	7,368	22%	8,655	26%
BACKLOG BY DESTINATION *	**32,741**	**100%**	**33,491**	**100%**

Product breakdown	**Half-year ended**			
Actual figures *(in € million)*	**30 September 2017**	% of contrib	**30 September 2016**	% of contrib
Rolling stock	15,969	49%	15,262	46%
Services	9,899	30%	10,154	30%
Systems	3,698	11%	4,800	14%
Signalling	3,175	10%	3,275	10%
BACKLOG BY DESTINATION *	**32,741**	**100%**	**33,491**	**100%**

* September 16 backlog has been restated from the contribution of staggered entities

5. Income Statement

5.1 Sales

Alstom's sales were in line with 2020 strategy at 5% organic growth during the first half of fiscal year 2017/18. Sales for the period stood at €3.8 billion compared to €3.6 billion during the same period last year driven by strong project execution.

Geographic breakdown	**Half-year ended**				**% Variation Sept. 17/ Sept. 16**	
Actual figures *(in € million)*	**30 September 2017**	% of contrib	**30 September 2016**	% of contrib	**Actual**	**Organic**
Europe	1,917	51%	2,121	59%	(10%)	(9%)
Americas	727	19%	577	16%	26%	26%
Asia/Pacific	429	12%	343	10%	25%	25%
Middle East/Africa	683	18%	529	15%	29%	26%
SALES BY DESTINATION	**3,756**	**100%**	**3,570**	**100%**	**5%**	**5%**

Product breakdown	Half-year ended				% Variation Sept. 17/ Sept. 16	
Actual figures *(in € million)*	**30 September 2017**	% of contrib	**30 September 2016**	% of contrib	**Actual**	**Organic**
Rolling stock	1,641	43%	1,641	46%	0%	(1%)
Services	696	19%	742	21%	(6%)	(4%)
Systems	819	22%	515	14%	59%	61%
Signalling	600	16%	672	19%	(11%)	(13%)
SALES BY DESTINATION	**3,756**	**100%**	**3,570**	**100%**	**5%**	**5%**

Alstom reported €1.9 billion sales in Europe as against €2.1 billion during the same period previous year. Sales of the region were notably driven by deliveries of Euroduplex™ high-speed trains for the Paris-Bordeaux line and deliveries of regional trains in France. Besides, execution of large Rolling stock contracts for the supply of high-speed trains for Italy and regional trains for Sweden also contributed to the sales of the first half of fiscal year 2017/18. The region continued to benefit from execution of Crossrail infrastructure track in the United Kingdom thereby contributing to growth in Systems activity. Last year's sales were largely driven by deliveries of regional trains in Italy and high-speed train in Switzerland, and by the end of deliveries of the MI09 suburban trains dedicated to the Paris RER A line in France. Last fiscal year, Alstom completed several Services contracts for the maintenance of regional trains in Sweden and the overhaul of high-speed trains in Spain and Italy.

In Americas, Alstom recorded €0.7 billion sales, up 26% on an organic basis contributing to 19% of the total Group's sales, up 3 percentage points compared to the same period last year. The substantial growth was mainly from the execution of Rolling stock contracts primarily Amtrak high-speed trains in the USA as well as light rail vehicles for Ottawa and supply of bogies for Montreal metro in Canada. In Latin America sales were driven by the supply of a metro system in Mexico, deliveries of an integrated tramway system in Brazil and deliveries of metro cars and execution of Signalling and Systems milestones for Panama metro lines. Signalling sales were impacted by the freight and mining adverse market environment.

During the first half of fiscal year 2017/18, Asia/Pacific sales amounted to €0.4 billion up 25% on an organic basis. Sales accounted for 12% of the Group's total sales, up 2 percentage points compared to the same period last year, thanks to the execution of Rolling stock contracts namely suburban trains to Melbourne, Metropolis™ trains to Sydney, execution of electric locomotives contract and deliveries of metro trainsets in India. Systems activity growth was notably fuelled by the deliveries of the first Citadis™ X05 light rail vehicles to Sydney, Australia and the replacement of track circuits in Hong Kong metro.

In Middle East/Africa, Alstom's sales amounted to €0.7 billion for the first half of fiscal year 2017/18 contributing to 18% of total sales, up 3 percentage points compared to the same period last year, and with an organic growth of 26% versus last year's first semester. Sales were largely driven by Systems activity through the production of metro trainsets and track works for Riyadh, Saudi Arabia, execution of Route 2020 contract of Dubai in the United Arab Emirates as well as Lusail tramway system contract in Qatar. In addition to this, revenue in this region was boosted by the delivery of the first trains for PRASA fleet renewal contract in South Africa and Citadis™ tramways in Algeria.

5.2 Research & Development

During the first half of fiscal year 2017/18, the research and development gross costs amounted to €101 million with an emphasis put on mainlines developments and smart mobility solutions. The amount of research and development expenses as recorded in the P&L statement for the period amounted to €80 million i.e. 2.1% of sales.

	Half-year ended	
(in € million)	**30 September 2017**	**30 September 2016**
R&D Gross costs *	**(101)**	**(98)**
R&D Gross costs (in % of Sales)	*2.7%*	*2.7%*
Funding received	**24**	**23**
Net R&D spending	**(77)**	**(75)**
Development costs capitalised during the period	23	21
Amortisation expense of capitalised development costs	(26)	(24)
R&D expenses (in P&L) *	**(80)**	**(78)**
R&D expenses (in % of Sales)	*2.1%*	*2.2%*

* includes the reclassification of Signalling business sustaining costs from Cost of Sales to Research and Development for €(13) million as of 30 September 2016 and €(13) million as of 30 September 2017

During the first half of fiscal 2017/18, Alstom's R&D spending included the further development of the Avelia™ range and notably the very high-speed train of the future as well as the latest generation of Coradia Stream™ regional trains, zero-emission train Coradia ILint™ both designed for the European market and the Citadis™ X05 light rail vehicle. Also, first half spending was driven by the evolution of the Urbalis™ Fluence signalling solution and the HealthHub™ innovative maintenance tool.

At the UITP 2017 Congress in Montreal, Canada, Alstom has presented its vision of smart mobility, and several of the Group's breakthrough solutions designed to enhance passenger experience and offer to operators a more efficient transport system:

- Mastria™, an innovative multimodal solution which optimises traffic fluidity and orchestrate passenger routes;
- Optimet™ OrbanMap, a real-time dynamic information system provided to passengers in metro stations which allows visualisation of the metro network, its activity, trains position, travel times as well as Optimet™ real-time train occupancy, a solution which shows the level of occupancy per car.

5.3 Operational performance

During the first half of fiscal year 2017/18, the adjusted EBIT reached €231 million, compared to €200 million during the first half of fiscal year 2016/17. Adjusted EBIT margin is at 6.2% as compared to 5.6% during the same period last fiscal year driven by volume growth, operational performance and stable structure costs.

During the period, Alstom's delivered improved operational results thanks to steady project execution while maintaining the overhead cost structure under control.

5.4 Net profit

EBIT amounted to €194 million as compared to €168 million in the first half of fiscal year 2016/17 benefiting from the strong operational performance over the semester. Restructuring costs amounted to €(19) million driven by footprint rationalization and competitiveness initiatives, notably in the United Kingdom and Brazil and amortisation of intangible assets and integration costs related to business combinations, such as SSL, GE Signalling and Nomad were reduced to €(12) million.

Net financial expense decreased to €(51) million during the fiscal year 2017/18 as compared to €(71) million for the same period last year. Part of this decrease came from to the reduction of the gross financial debt after the repayment of the bond maturing last February. Also, the cost of foreign exchange hedging decreased compared to the same period last year mainly in USD.

The Group recorded an income tax charge of €(40) million for the first half of fiscal year 2017/18 corresponding to an effective tax rate of 28% versus €(32) million for the same period last year corresponding to an effective tax rate of 33%.

The share in net income from equity investments amounted to €110 million mainly as a result of the re-measurement of the put option attached to the Energy alliances, thereby leaving the Group immune to adverse results generated by these joint-ventures (as disclosed in Note 13 to the consolidated financial statements). Improved performance from Transmashholding (TMH) and Casco Signal Limited also contributed to this increase over the period.

As a result, the Net profit (Group share) stood at €213 million this semester compared to €128 million during the same period last fiscal year and included:

- Net profit from continuing operations (Group share) for €205 million;
- Net profit from discontinued operations stood at €8 million.

6. Free cash flow

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Adjusted EBIT	**231**	**200**
Depreciation and amortisation	93	69
Restructuring cash-out	(18)	(18)
Capital expenditure	(80)	(43)
R&D capitalisation	(23)	(21)
Change in working capital	53	188
Financial cash-out	(19)	(11)
Tax cash-out	(46)	(40)
Other *	36	9
FREE CASH FLOW	**227**	**333**

*includes free cash flow from discontinued operations

During the first half of fiscal year 2017/18, the Group free cash flow was positive at €227 million compared to €333 million during the same period of last fiscal year. Current period free cash flow generation came from the good operating profit and positive evolution of working capital.

During the period, Alstom invested €80 million in capital expenditures of tangible assets in order to strengthen its global industrial footprint. As part of that investment, the Group recently inaugurated Widnes, the biggest and most sophisticated train modernisation centre in the United Kingdom. In addition, the construction of the new manufacturing site at Madhepura, India and Dunnottar, South Africa progressed as per plan. The month of October acknowledged the beginning of the production at the Madhepura site. Up to the first half of fiscal year 2017/18, this additional transformation capex accounted for €100 million out of €300 million previously announced, of which €49 million were spent this half year.

7. Net Debt

On 30 September 2017, the Group recorded a net debt level of €101 million, compared to the net debt position of €208 million on 31 March 2017 mainly driven by positive free cash flow generated over the period, partially offset by dividends paid.

In addition to its available cash and cash equivalents, amounting to € 1,643 million as of 30 September 2017, the Group can access a €400 million revolving credit facility, maturing in June 2022, which is fully undrawn at 30 September 2017.

8. Equity

The increase in Equity on 30 September 2017 to €3,787 million (including non-controlling interests) from €3,713 million on 31 March 2017 was mostly impacted by:

- net profit from the first half of fiscal year 2017/18 of €213 million (Group share);
- actuarial hypothesis variation on pensions (recorded in equity) of €38 million net of tax;
- dividends paid to shareholders for €(59) million;
- share-based payments for €29 million;
- currency translation adjustment of €(169) million.

9. Other information

9.1. Risks

Contingent liabilities and disputes are described in Notes 23 and 24 of the Condensed Interim Consolidated Financial Statements as of 30 September 2017. Financial risks (currency, credit, interest rate and liquidity) and their management are described in Note 21 of the Condensed Interim Consolidated Financial Statements as of 30 September 2017 and in Note 28 of the Consolidated Financial Statements as of 31 March 2017 and the other risk factors are described in the Registration Document for the fiscal year 2016/17 filed with the French Autorité des Marchés Financiers on 23 May 2017.

9.2. Related parties

During the 6 month period ended 30 September 2017, there is no major modification concerning related parties as described in 2016/17 Annual Financial report.

Related parties are presented in Note 25 of the Condensed Interim Consolidated Financial Statements as of 30 September 2017.

10. Non-GAAP financial indicators definitions

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

10.1 Orders received

A new order is recognised as an order received only when the contract creates enforceable obligations between the Group and its customer.

When this condition is met, the order is recognised at the contract value.

If the contract is denominated in a currency other than the functional currency of the reporting unit, the Group requires the immediate elimination of currency exposure through the use of forward currency sales. Orders are then measured using the spot rate at inception of hedging instruments.

10.2 Order backlog

Order backlog represents sales not yet recognised from orders already received.
Order backlog at the end of a financial year is computed as follows:

- order backlog at the beginning of the year;
- plus new orders received during the year;
- less cancellations of orders recorded during the year;
- less sales recognised during the year.

The order backlog is also subject to changes in the scope of consolidation, contract price adjustments and foreign currency translation effects.

10.3 Book-to-bill

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

10.4 Adjusted EBIT

When Alstom's new organisation was implemented, adjusted EBIT ("aEBIT") became the Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with market practice and comparable to direct competitors.

aEBIT corresponds to Earning Before Interests, Tax and Net result from Equity Method Investments adjusted with the following elements:

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

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

Adjusted EBIT margin corresponds to Adjusted EBIT in percentage of sales.

The non-GAAP measure adjusted EBIT (aEBIT hereafter) indicator reconciles with the GAAP measure EBIT as follows:

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Adjusted Earnings Before Interest and Taxes (aEBIT)	**231**	**200**
aEBIT (in % of Sales)	*6.2%*	*5.6%*
Restructuring costs	(19)	0
Assets impairment	0	0
PPA amortisation and Integration costs	(12)	(24)
Capital gains/losses on disposal of business	0	(1)
Others	(6)	(7)
EARNING BEFORE INTEREST AND TAXES (EBIT)	**194**	**168**

10.5 Free cash flow

Free cash flow is defined as net cash provided by operating activities less capital expenditures including capitalised development costs, net of proceeds from disposals of tangible and intangible assets. In particular, free cash flow does not include the proceeds from disposals of activity.

The most directly comparable financial measure to free cash flow calculated and presented in accordance with IFRS is net cash provided by operating activities.

A reconciliation of free cash flow and net cash provided by operating activities is presented below:

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Net cash provided by / (used in) operating activities	**329**	**396**
Capital expenditure (including capitalised R&D costs)	(103)	(64)
Proceeds from disposals of tangible and intangible assets	1	1
FREE CASH FLOW	**227**	**333**

Alstom uses the free cash flow both for internal analysis purposes as well as for external communication as the Group believes it provides accurate insight regarding the actual amount of cash generated or used by operations.

During the first half of fiscal year 2017/18, the Group’s free cash flow was positive at €227 million compared to €333 million during the same period of the previous year.

10.6 Capital employed

Capital employed corresponds to hereafter-defined assets minus liabilities.

- Assets: sum of goodwill, intangible assets, property, plant and equipment, equity-accounted investments and other investments, other non-current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets;
- Liabilities: sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

At the end of September 2017, capital employed stood at €4,218 million, compared to €4,278 million at the end of March 2017. This decrease was mainly driven by the improvement of the Group working capital position as at 30 September 2017.

	Half-year ended	**Year ended**
(in € million)	**30 September 2017**	**31 March 2017**
Non current assets *	5,908	5,972
less deferred tax assets	(184)	(189)
less non-current assets directly associated to financial debt	(241)	(260)
less prepaid pension benefits	-	-
Capital employed - non current assets **(A)**	5,483	5,523
Current assets	8,294	8,379
less cash & cash equivalents	(1,643)	(1,563)
less other current financial assets	(15)	(8)
Capital employed - current assets **(B)**	6,636	6,808
Current liabilities	7,846	7,883
less current financial debt	(468)	(444)
plus non current provisions	523	614
Capital employed - liabilities **(C)**	7,901	8,053
CAPITAL EMPLOYED (A)+(B)-(C)	**4,218**	**4,278**

* include Energy alliances and put options

10.7 Net cash/(debt)

The net cash/(debt) is defined as cash and cash equivalents, other current financial assets and non-current financial assets directly associated to liabilities included in financial debt, less financial debt.

On 30 September 2017, the Group recorded a net debt level of €101 million, compared to the net debt position of €208 million on 31 March 2017.

	Half-year ended	Year ended
(in € million)	30 September 2017	31 March 2017
Cash and cash equivalents	1,643	1,563
Other current financial assets	15	8
Financial non-current assets directly associated to financial debt	241	260
less:		
Current financial debt	468	444
Non current financial debt	1,532	1,595
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(101)**	**(208)**

10.8 Organic basis

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

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

ALSTOM

Condensed interim consolidated financial statements,

As of 30 September 2017

INTERIM CONSOLIDATED INCOME STATEMENT

(in € million)	Note	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Sales	**(4)**	**3,756**	**3,570**
Cost of sales (*)		(3,171)	(3,021)
Research and development expenses (*)	(5)	(80)	(78)
Selling expenses		(99)	(94)
Administrative expenses		(175)	(177)
Other income/(expense)	(6)	(37)	(32)
Earnings Before Interests and Taxes		**194**	**168**
Financial income	(7)	2	13
Financial expense	(7)	(53)	(84)
Pre-tax income		**143**	**97**
Income Tax Charge	(8)	(40)	(32)
Share in net income of equity-accounted investments	(13)	110	47
Net profit from continuing operations		**213**	**112**
Net profit from discontinued operations	(9)	8	24
NET PROFIT		**221**	**136**
Net profit attributable to equity holders of the parent		213	128
Net profit attributable to non controlling interests		8	8
Net profit from continuing operations attributable to:			
· Equity holders of the parent		205	104
· Non controlling interests		8	8
Net profit from discontinued operations attributable to:			
· Equity holders of the parent		8	24
· Non controlling interests		-	-
Earnings per share (in €)			
· Basic earnings per share	(10)	0.97	0.58
· Diluted earnings per share	(10)	0.95	0.58

(*) includes the reclassification of sustaining costs from Cost of Sales to Research and Development for €(13) million as of 30 September 2016.

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Half-year ended	
(in € million)	**Note**	**30 September 2017**	**30 September 2016**
Net profit recognised in income statement		**221**	**136**
Remeasurement of post-employment benefits obligations	(22)	37	(99)
Income tax relating to items that will not be reclassified to profit or loss		(4)	14
Items that will not be reclassified to profit or loss		**33**	**(85)**
of which from equity-accounted investments		*-*	*-*
Fair value adjustments on available-for-sale assets		-	-
Fair value adjustments on cash flow hedge derivatives	(21)	3	(7)
Currency translation adjustments (*)	(16)	(164)	43
Income tax relating to items that may be reclassified to profit or loss		-	-
Items that may be reclassified to profit or loss		**(161)**	**36**
of which from equity-accounted investments		*(34)*	*19*
TOTAL COMPREHENSIVE INCOME		**93**	**87**
Attributable to:			
• Equity holders of the parent		90	79
• Non controlling interests		3	8
Total comprehensive income attributable to equity shareholders arises from :			
• Continuing operations		82	56
• Discontinued operations		8	23
Total comprehensive income attributable to minority equity arises from :			
• Continuing operations		3	8
• Discontinued operations		-	-

(*) includes currency translation adjustments on actuarial gains and losses for €5 million as of 30 September 2017 (€12 million as of 30 September 2016).

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET

Assets

(in € million)	Note	At 30 September 2017	At 31 March 2017
Goodwill	(11)	1,443	1,513
Intangible assets	(11)	381	395
Property, plant and equipment	(12)	738	749
Investments in joint-venture and associates	(13)	2,812	2,755
Non consolidated investments		56	55
Other non-current assets	(14)	294	316
Deferred Tax		184	189
Total non-current assets		**5,908**	**5,972**
Inventories	(15)	1,108	916
Construction contracts in progress, assets	(15)	2,715	2,834
Trade receivables		1,534	1,693
Other current operating assets	(15)	1,279	1,365
Other current financial assets	(18)	15	8
Cash and cash equivalents	(19)	1,643	1,563
Total current assets		**8,294**	**8,379**
Assets held for sale	(9)	9	10
TOTAL ASSETS		**14,211**	**14,361**

Equity and liabilities

(in € million)	Note	At 30 September 2017	At 31 March 2017
Equity attributable to the equity holders of the parent	(16)	3,726	3,661
Non controlling interests		61	52
Total equity		**3,787**	**3,713**
Non current provisions	(15)	523	614
Accrued pensions and other employee benefits	(22)	491	526
Non-current borrowings	(20)	1,318	1,362
Non-current obligations under finance leases	(20)	214	233
Deferred Tax		25	23
Total non-current liabilities		**2,571**	**2,758**
Current provisions	(15)	258	250
Current borrowings	(20)	442	416
Current obligations under finance leases	(20)	26	28
Construction contract in progress, Liabilities	(15)	4,461	4,486
Trade payables		1,249	1,029
Other current liabilities	(15)	1,410	1,674
Total current liabilities		**7,846**	**7,883**
Liabilities related to assets held for sale	(9)	7	7
TOTAL EQUITY AND LIABILITIES		**14,211**	**14,361**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Note	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Net profit		**221**	**136**
Depreciation, amortisation and impairment	(11)/(12)	101	83
Expense arising from share-based payments		9	3
Cost of net financial debt and costs of foreign exchange hedging, net of interest paid and received (a) , and other change in provisions		27	54
Post-employment and other long-term defined employee benefits		12	9
Net (gains)/losses on disposal of assets		1	(70)
Share of net income (loss) of equity-accounted investments (net of dividends received)	(13)	(91)	(40)
Deferred taxes charged to income statement		(1)	(10)
Net cash provided by operating activities - before changes in working capital		**279**	**165**
Changes in working capital resulting from operating activities (b)	**(15)**	**50**	**231**
Net cash provided by/(used in) operating activities		**329**	**396**
Of which operating flows provided / (used) by discontinued operations		*-*	*(15)*
Proceeds from disposals of tangible and intangible assets		1	1
Capital expenditure (including capitalised R&D costs)		(103)	(64)
Increase/(decrease) in other non-current assets	(14)	10	24
Acquisitions of businesses, net of cash acquired		-	(12)
Disposals of businesses, net of cash sold		(52)	(31)
Net cash provided by/(used in) investing activities		**(144)**	**(82)**
Of which investing flows provided / (used) by discontinued operations		*(52)*	*8*
Capital increase/(decrease) including non controlling interests		30	-
Dividends paid including payments to non controlling interests		(56)	(5)
Issuances of bonds & notes		-	-
Repayments of bonds & notes issued		-	-
Changes in current and non-current borrowings	(20)	(10)	28
Changes in obligations under finance leases	(20)	(14)	(21)
Changes in other current financial assets and liabilities		(5)	20
Net cash provided by/(used in) financing activities		**(55)**	**22**
Of which financing flows provided / (used) by discontinued operations		*-*	*-*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**130**	**336**
Cash and cash equivalents at the beginning of the period		1 563	1 961
Net effect of exchange rate variations		(50)	4
Other changes		-	2
Transfer to assets held for sale		-	5
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(19)**	**1 643**	**2 308**
(a) Net of interests paid & received	(20)	*(15)*	*(16)*
(b) Income tax paid		*(46)*	*(40)*

(in € million)	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Net cash/(debt) variation analysis (*)		
Changes in cash and cash equivalents	130	336
Changes in other current financial assets and liabilities	5	(20)
Changes in current and non-current borrowings	10	(28)
Changes in obligations under finance leases	14	21
Net debt of acquired/disposed entities at acquisition/disposal date and other variations	(52)	(52)
Decrease/(increase) in net debt	107	257
Net cash (debt) at the begining of the period	(208)	(203)
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(101)**	**54**

(*) The net cash/(debt) is defined as cash and cash equivalents, other current financial assets and non-current financial assets directly associated to liabilities included in financial debt (see Note 14), less financial debt (see Note 20).

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Actuarial gains and losses	Cash-flow hedge	Currency translation adjustment	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
At 31 march 2016	**219,127,044**	**1,534**	**884**	**1,608**	**(290)**	**4**	**(461)**	**3,279**	**49**	**3,328**
Movements in other comprehensive income	-	-	-	-	(73)	(7)	31	(49)	-	(49)
Net income for the period	-	-	-	128	-	-	-	128	8	136
Total comprehensive income	**-**	**-**	**-**	**128**	**(73)**	**(7)**	**31**	**79**	**8**	**87**
Change in controlling interests and others	-	-	-	1	-	-	5	6	(4)	2
Dividends paid	-	-	-	-	-	-	-	-	(5)	(5)
Issue of ordinary shares under long term incentive plans	-	-	-	-	-	-	-	-	-	-
Recognition of equity settled share-based payments	4,931	-	-	3	-	-	-	3	-	3
At 30 September 2016	**219,131,975**	**1,534**	**884**	**1,740**	**(363)**	**(3)**	**(425)**	**3,367**	**48**	**3,415**
Movements in other comprehensive income	-	-	-	-	41	4	74	119	2	121
Net income for the period	-	-	-	161	-	-	-	161	6	167
Total comprehensive income	**-**	**-**	**-**	**161**	**41**	**4**	**74**	**280**	**8**	**288**
Change in controlling interests and others	-	-	-	-	-	-	(1)	(1)	2	1
Dividends paid	-	-	-	-	-	-	-	-	(6)	(6)
Issue of ordinary shares under long term incentive plans	214,918	2	-	-	-	-	-	2	-	2
Recognition of equity settled share-based payments	364,937	2	6	5	-	-	-	13	-	13
At 31 March 2017	**219,711,830**	**1,538**	**890**	**1,906**	**(322)**	**1**	**(352)**	**3,661**	**52**	**3,713**
Movements in other comprehensive income	-	-	-	-	38	3	(164)	(123)	(5)	(128)
Net income for the period	-	-	-	213	-	-	-	213	8	221
Total comprehensive income	**-**	**-**	**-**	**213**	**38**	**3**	**(164)**	**90**	**3**	**93**
Change in controlling interests and others	-	-	-	2	-	-	(1)	1	10	11
Dividends paid	-	-	-	(55)	-	-	-	(55)	(4)	(59)
Issue of ordinary shares under long term incentive plans	-	-	-	-	-	-	-	-	-	-
Recognition of equity settled share-based payments	810,445	6	14	9	-	-	-	29	-	29
At 30 September 2017	**220,522,275**	**1,544**	**904**	**2,075**	**(284)**	**4**	**(517)**	**3,726**	**61**	**3,787**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Alstom is a leading player in the world rail transport industry. As such, the Company offers a complete range of solutions, including rolling stock, systems, services as well as signalling for passenger and freight railway transportation. It benefits from a growing market with solid fundamentals. The key market drivers are urbanisation, environmental concerns, economic growth, governmental spending and digital transformation.

In this context, Alstom has been able to develop both a local and global presence that sets it apart from many of its competitors, while offering proximity to customers and great industrial flexibility. Its range of solutions, one of the most complete and integrated on the market, and its position as a technological leader, place Alstom in a unique situation to benefit from the worldwide growth in the rail transport market. Lastly, in order to generate profitable growth, Alstom focuses on operational excellence and its product mix evolution.

The condensed interim consolidated financial statements are presented in euro and have been authorized for issue by the Board of Directors held on 13 November 2017.

A. MAJOR EVENTS AND CHANGES IN SCOPE OF CONSOLIDATION

NOTE 1. COMBINATION OF SIEMENS AND ALSTOM'S MOBILITY BUSINESSES

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business including its rail traction drives business with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies. Siemens will receive newly issued shares from the combined company representing 50% of Alstom's share capital on a fully diluted basis.

In France, Alstom and Siemens have initiated Works Councils' information and consultation procedure according to French law prior to the signing of the transaction documents. If Alstom were not to pursue the transaction, it would have to pay a €140 million break-fee. The transaction will take the form of a contribution in kind of the Siemens Mobility business including its rail traction drives business to Alstom for newly issued shares of Alstom and will be subject to Alstom's shareholders' approval, including for purposes of cancelling the double voting rights, anticipated to be held in the second quarter of 2018. The transaction is also subject to clearance from relevant regulatory authorities, including foreign investment clearance in France and anti-trust authorities as well as the confirmation by the French capital market authority (AMF) that no mandatory takeover offer has to be launched by Siemens following completion of the contribution. Closing is expected at the end of calendar year 2018.

As per the announcement of 26 September 2017, the French State did not exercise the call options on Alstom shares hold by Bouygues and restituted them on 17 October 2017. According to declaration published by the AMF (the French financial markets authority) on 25 October 2017, Bouygues holds 62,086,226 shares and 65,347,092 voting rights i.e. 28.15% of the capital and 28.95% of the voting rights of the Company.

Bouygues fully supports the transaction and will vote in favor of the transaction at the Alstom's board of directors and at the extraordinary general meeting deciding on the transaction to be held before 31 July 2018, in line with Alstom board of director decision.

NOTE 2. SCOPE OF CONSOLIDATION

As provided for in the agreement, Indian Railways subscribed entirely, in 2017, to the capital increase made by Madhepura Electric Locomotive Private Limited for €14 million. Therefore, Alstom's interests in this entity decrease from 100% to 74%.

B. ACCOUNTING POLICIES AND USE OF ESTIMATES

NOTE 3. ACCOUNTING POLICIES

3.1 Basis of preparation of the condensed interim consolidated financial statements

Alstom ("the Group") condensed interim consolidated financial statements for the half-year ended 30 September 2017 are presented and have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB), endorsed by the European Union and which application was mandatory at 1 April 2017, and in accordance with IAS 34, Interim Financial Reporting. This standard provides that condensed interim financial statements do not include all the information required under IFRS for the preparation of annual consolidated financial statements. These condensed interim consolidated financial statements must therefore be read in conjunction with the Group's consolidated financial statements at 31 March 2017.

The accounting policies and measurement methods used to prepare these condensed interim consolidated financial statements are identical to those applied by the Group at 31 March 2017 and described in Note 2 to the consolidated financial statements for the year ended 31 March 2017, except:

- New standards and interpretations mandatorily applicable presented in paragraph 3.2 below;
- The specific measurement methods of IAS34 applied for the preparation of condensed interim consolidated financial statements regarding estimate of tax expense (as described in Note 8) and Post-employment and other long term employee defined benefits valuations (as described in Note 22);

In addition, at 31 March 2017, changes of presentation have been adopted by Alstom to better reflect the Group's financial performance reclassifying sustaining costs, especially for signalling activities, from Cost of sales to Research and Development. This reclassification is made for €(13) million as of 30 September 2017 and for €(13) million as of 30 September 2016.

3.2 New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2017

Several amendments are applicable at 1 April 2017, but not yet approved by European Union:

- Disclosure Initiative (Amendment to IAS 7) : this amendment is applied by anticipation at 30 September 2017;
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendment to IAS 12);
- Annual improvements to IFRS 2014-2016 Cycle: amendment to IFRS 12 Disclosure of interests in Other Entities

All these amendments effective at 1 April 2017 for Alstom should not have any material impact on the Group's consolidated financial statements.

3.3 New standards and interpretations not yet mandatorily applicable

3.3.1 New standards and interpretations endorsed by the European Union not yet mandatorily applicable

IFRS15 Revenue from contracts with customers:

Context

On 22 September 2016, European Union endorsed IFRS15 Revenue from Contracts with Customers (issued by IASB on 28 May 2014), which supersedes IAS11 on Construction Contracts and IAS18 on Revenue for the sale of goods and services rendered, as well as other related interpretations. The new standard will become effective for Alstom for fiscal years beginning on 1 April 2018.

Transition method elected

Alstom has elected to apply the full retrospective method. Alstom will provide a consistent view of historical trend. Comparative consolidated financial information for year ended 31 March 2018 will be restated on a consistent basis with information for year ended 31 March 2019 accounted for under IFRS15 standard.

Impacts under current assessment

Based on analyses performed so far, Alstom achieved several interpretative conclusions:

- The new standard will not affect the cash position on the contracts and, as such, does not affect the economics of the underlying customer contracts.
- The identification of performance obligations does not lead to significant changes versus current practice contract follow up.
- Most of our construction contracts as well as long term service agreements fulfill the requirements for revenue recognition over time and will remain accounted for under the percentage of completion method. Nevertheless, the percentage of completion method used by Alstom will change: currently, the stage of completion on construction contracts and long term service agreements is assessed upon the milestones method which ascertains the completion of a physical proportion of the contract work or the performance of services provided in the agreement. Under IFRS15, the percentage of completion method retained will be the cost to cost method: revenue will be recognized on the basis of the entity's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Alstom is currently assessing the impacts of the above method changes on timing of revenue and margin recognition.
- Changes to the balance sheet are expected: with respect to construction contracts and long-term service agreements, the current net aggregate amounts of costs incurred to date plus recognized margin less progress billings determined on a contract-by-contract basis included in "Construction contracts in progress, assets" or "Construction contracts in progress, liabilities" will disappear. New aggregates called "contract assets and contract liabilities" will be disclosed.
- Alstom is also assessing whether the new standard will result in significant impacts in respect of the estimation in the transaction price of certain variable consideration (such as price escalation for example).
- So far, no significant financial component on orders has been identified as timing of cash receipts and revenue recognition under new method do not differ substantially except for one contract on which a significant financial component has been identified.
- Finally, quantitative and qualitative disclosures will be added mainly on orders and backlog.

The impact of IFRS 15 transition could lead to a reduction in retained earnings as of April 2017. Further updates will be provided during the course of the financial year 2017/2018 as assessments are progressing.

Financial instruments:

- Classification and measurement of financial assets (IFRS 9);
- Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39;
- Mandatory effective date at 1st January 2018 and transition guidance (amendments to IFRS 9 and IFRS 7);

All these amendments will be applied from 1st April 2018. The Group is currently assessing potential impacts.

3.3.2 New standards and interpretations not yet approved by the European Union

- Leases (IFRS 16): the standard will be applicable for annual periods beginning after 1 January 2019;
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS2): the amendment will be applicable for annual periods beginning after 1 January 2018;
- Annual improvements to IFRS 2014-2016 Cycle: amendments to IFRS1 First Application and to IAS 28 Investments in Associates and Joint Ventures will be effective for annual periods beginning after 1 January 2018;
- IFRIC 22 interpretation on foreign currency transactions and advance consideration: this interpretation will be applicable for annual periods beginning after 1 January 2018;
- IFRIC 23 Uncertainty over Income Tax Treatments: this interpretation will be applicable for annual periods beginning after 1 January 2019;
- Amendment to IFRS 9 Prepayment features with negative compensation: this amendment will be applicable for annual periods beginning after 1 January 2019;
- Amendment to IAS 28 Long-term Interests in Associates and Joint Ventures: this amendment will be applicable for annual periods beginning after 1 January 2019.

The potential impacts of these new pronouncements are currently being analyzed.

C. SEGMENT INFORMATION

NOTE 4. SEGMENT INFORMATION

The financial information of Alstom Group is regularly reviewed by the Executive Committee, identified as Chief Operating Decision Maker, for assessing performance and allocating resources. This reporting presents Key Performance Indicators at Group level.

4.1 Sales by product

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Rolling stock	1,641	1,641
Services	696	742
Systems	819	515
Signalling	600	672
TOTAL GROUP	**3,756**	**3,570**

4.2 Key indicators by geographic area

Sales by country of destination

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Europe	1,917	2,121
of which France	*564*	*687*
Americas	727	577
Asia & Pacific	429	343
Middle-East & Africa	683	529
TOTAL GROUP	**3,756**	**3,570**

4.3 Information about major customers

No external customer represents individually 10% or more of the Group's consolidated sales.

D. OTHER INCOME STATEMENT

NOTE 5. RESEARCH AND DEVELOPMENT EXPENDITURE

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Research and development gross cost	(101)	(98)
Funding received	24	23
Research and development spending, net	**(77)**	**(75)**
Development costs capitalised during the period	23	21
Amortisation expense of capitalised development costs	(26)	(24)
RESEARCH AND DEVELOPMENT EXPENSES (IN P&L)	**(80)**	**(78)**

During the half-year ended 30 September 2017, the Group invested €101 million in research and development, notably for its new generation of Coradia Stream™ and iLint™ regional trains and on the "Very high-speed train" Avelia™, through its joint venture SpeedInnov, and smart mobility solutions.

NOTE 6. OTHER INCOME AND EXPENSE

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Capital gains / (losses) on disposal of business	-	(1)
Restructuring and rationalisation costs	(19)	-
Impairment loss and other	(18)	(31)
Other income / (expense)	**(37)**	**(32)**

On the 6 months period ended 30 September 2017, restructuring and rationalization costs are mainly related to the adaptation of the means of production in certain countries, notably in UK and Brazil.

At 30 September 2017, Impairment loss and other represent mainly:

- €(12) million of amortisation of intangible assets and integration costs related to business combinations, such as SSL, GE Signalling and Nomad;
- €(6) million related to legal proceedings that have arisen outside of the ordinary course of business.

NOTE 7. FINANCIAL INCOME (EXPENSE)

	Half-year ended	
(in € million)	30 September 2017	30 September 2016
Interest income	3	5
Interest expense on borrowings	(34)	(45)
NET FINANCIAL INCOME/(EXPENSES) ON DEBT	**(31)**	**(40)**
Net cost of foreign exchange hedging	(13)	(21)
Net financial expense from employee defined benefit plans	(6)	(7)
Other financial income/(expense)	(1)	(3)
NET FINANCIAL INCOME/(EXPENSES)	**(51)**	**(71)**

NOTE 8. TAXATION

In accordance with IAS34, income tax charge is recognized based on management's estimate of the projected effective tax rate for the whole financial year to the pre-tax income of the interim period and takes into consideration potential discrete items.

At 30 September 2017, effective tax rate is 28% compared to 33% at 30 September 2016. This variation mainly comes from (i) the full deduction of foreign withholding taxes in France expected for 2017/2018, and (ii) the election for taxation of eligible income in France under the regime applicable to intellectual property (IP) rights.

NOTE 9. FINANCIAL STATEMENTS OF DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Accounting methods and principles applicable to discontinued operations are identical to those used at 30 September 2016 and 31 March 2017.

9.1 Net profit of discontinued operations and assets held for sale

The line "Net profit from discontinued operations", recognized in the Consolidated Income Statement, includes the operations of staggered and delayed transferred assets upon effective transfer, the costs directly related to the disposal transaction of Energy activities and the estimation of future liabilities, in compliance with IFRS 5.

As in March 2017, only one Chinese entity remains accounted for as assets (and related liabilities) held for sale, while waiting for the precedent condition to be met. The Group has already been compensated within the transaction price for € 3 million, accounted for as liabilities related to assets held for sale, for those "staggered and delayed transferred assets".

Amounts are not significant in the income statement as in the balance sheet for this entity.

9.2 Cash-flow statement

In accordance with IFRS 5, Alstom's Consolidated Statement of Cash Flows takes into account the cash flows of staggered and delayed transferred assets, until their effective transfer to General Electric and costs directly related to the sale of Energy activities.

9.3 Contingent liabilities

Upon completion of the General Electric transaction, the bonds issued to support the Energy Business have been generally transferred to General Electric, which has taken over the related parental counter guarantees. However, at 30 September 2017, this transfer remains in progress for bonds and sureties amounting to €0.1 billion.

In addition, the Group remains, in close relationship with General Electric, in the process of obtaining the release of some conditional and unconditional parent company guarantees formerly issued, mainly by Alstom Holdings SA, to cover obligations of the former Energy affiliates in an amount of €9.2 billion.

The Group benefits from a general indemnification from General Electric in these matters.

NOTE 10. EARNINGS PER SHARE

(in € million)	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Net Profit attributable to equity holders of the parent :		
• From continuing operations	205	104
• From discontinued operations	8	24
EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**213**	**128**

number of shares	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Weighted average number of ordinary shares used to calculate basic earnings per share	**220,164,680**	**219,132,731**
Effect of dilutive instruments other than bonds reimbursable with shares:		
• Stock options and performance shares (LTI plan)	4,055,054	3,033,237
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE DILUTED EARNINGS PER SHARES	**224,219,734**	**222,165,968**

(in €)	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Basic earnings per share	0.97	0.58
Diluted earnings per share	0.95	0.58
Basic earnings per share from continuing operations	0.93	0.47
Diluted earnings per share from continuing operations	0.91	0.47
Basic earnings per share from discontinued operations	0.04	0.11
Diluted earnings per share from discontinued operations	0.04	0.11

E. NON-CURRENT ASSETS

NOTE 11. GOODWILL AND INTANGIBLE ASSETS

11.1 Goodwill

(in € million)	At 31 March 2017	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 30 September 2017
GOODWILL	**1,513**	**(8)**	**-**	**(62)**	**1,443**
Of which:					
Gross value	1,513	(8)	-	(62)	1,443
Impairment	-	-	-	-	-

Movements between 31 March 2017 and 30 September 2017 arose from the adjustment in the Nomad purchase price allocation for an amount of €(8) million, of which €(9) million allocated to intangible assets. This goodwill remains provisional.

The impairment test at 31 March 2017 supported the Group's opinion that goodwill was not impaired. At 30 September 2017, the Group considers that the assumptions used at 31 March 2017 to assess the recoverable value of goodwill are not substantially modified.

11.2 Intangible assets

(in € million)	At 31 March 2017	Additions / disposals / amortisation / impairment	Other changes including CTA & scope	At 30 September 2017
Development costs	1,171	23	(5)	1,189
Other intangible assets	377	1	-	378
Gross value	**1,548**	**24**	**(5)**	**1,567**
Development costs	(941)	(26)	2	(965)
Other intangible assets	(212)	(11)	2	(221)
Amortisation and impairment	**(1,153)**	**(37)**	**4**	**(1,186)**
Development costs	230	(3)	(3)	224
Other intangible assets	165	(10)	2	157
NET VALUE	**395**	**(13)**	**(1)**	**381**

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

(in € million)	At 31 March 2017	Additions / amortisation / impairment	Disposals	Other changes of which translation adjustments and scope	At 30 September 2017
Land	88	-	-	1	89
Buildings	745	2	(3)	(2)	742
Machinery and equipment	770	6	(7)	(15)	754
Constructions in progress	107	64	-	(12)	159
Tools, furniture, fixtures and other	233	3	(3)	(27)	206
Gross value	**1,943**	**75**	**(13)**	**(55)**	**1,950**
Land	(9)	-	-	1	(8)
Buildings	(432)	(13)	3	-	(442)
Machinery and equipment	(568)	(16)	5	10	(569)
Constructions in progress	(14)	(24)	-	2	(36)
Tools, furniture, fixtures and other	(171)	(10)	2	22	(157)
Amortisation and impairment	**(1,194)**	**(63)**	**10**	**35**	**(1,212)**
Land	79	-	-	2	81
Buildings	313	(11)	-	(2)	300
Machinery and equipment	202	(10)	(2)	(5)	185
Constructions in progress	93	40	-	(10)	123
Tools, furniture, fixtures and other	62	(7)	(1)	(5)	49
NET VALUE	**749**	**12**	**(3)**	**(20)**	**738**

The Group adapts its means of production around the world, notably with the construction and modernization of manufacturing sites in India, in South Africa and in the United States of America. This mainly contributes to the commitments of fixed assets amounting to €93 million at 30 September 2017 (against €75 million at 31 March 2017).

NOTE 13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Financial information

	Share in equity		Share of net income	
(in € million)	At 30 September 2017	At 31 March 2017	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Grid Alliance	1,316	1,395	(22)	(41)
Renewable Alliance	(397)	(317)	(51)	(119)
Nuclear Alliance	(60)	(40)	(14)	(6)
Put on Alliances	1,549	1,287	166	195
Energy Alliances	**2,408**	**2,325**	**79**	**29**
The Breakers Investments B.V.	262	281	14	6
Other	82	89	17	11
Other Associates	**344**	**370**	**31**	**17**
Associates	2,752	2,695	110	46
Joint ventures	60	60	-	1
TOTAL	**2,812**	**2,755**	**110**	**47**
Of which continued			*110*	*46*
Of which discontinued			*-*	*1*

At 30 September 2017, the main variations are as follows:

- Energy Alliances : as the exit price is guaranteed with the put option mechanism, the decrease in the Alliances value is balanced with the increase of the put option value (see note 13.1);
- The Breakers Investments B.V: the variation is due to the result for the period for €14 million and to the currency translation effect for € (33) million over the period.

Movements during the period

(in € million)	At 30 September 2017	At 31 March 2017
Opening balance	**2,755**	**2,588**
Share in net income of equity-accounted investments	110	83
Dividends	(19)	(8)
Acquisitions	-	32
Translation adjustments and other	(34)	60
CLOSING BALANCE	**2,812**	**2,755**

13.1 The three Energy Alliances

In the framework of the acquisition of Energy activities by General Electric, in November 2015, three alliances have been created, consisting of respectively:

- combination of Alstom Grid and General Electric Digital Energy businesses (“Grid Alliance”);
- Alstom’s hydro, offshore wind and tidal businesses (“Renewable Alliance”) ;
- Global Nuclear & French Steam production assets for servicing of the “Arabelle” steam turbine equipment for nuclear power plants worldwide and servicing for applications in France (“Nuclear Alliance”).

The investments in Energy alliances include liquidity rights through put options on its shares to General Electric with a minimum guaranteed exit price. Alstom Group can exercise these liquidity rights in September 2018 or in September 2019 for Grid and Renewable alliances and three months after the 5th and 6th anniversary for Nuclear Alliance. However, if put options were exercised jointly for Grid and Renewable alliances, then call option would be exercised by General Electric for Nuclear Alliance.

The Group booked these liquidity rights in compliance with IAS39. Their valuation is based on the following assumptions:

- the Group would exercise these puts during the period from 1st to 30 September 2018;
- the exit value will be the acquisition price +3% per annum on Grid and Renewable Alliance, acquisition price +2% per annum on Nuclear Alliance.

As the ultimate exit price is guaranteed in euro:

- the capital gain arising from the disposal price evaluation as well as the amortisation of the time value are recognized over the holding period of the shares : the amount for the 6 months period ended 30 September 2017 is €79 million;
- the change in fair value of put options, qualified as a cash flow hedge, is recognized as follows:
  - €96 million in other comprehensive income (of which €92 million related to translation adjustment, actuarial gains & losses, and other changes symmetrically to the hedged net assets of associates);
  - €87 million in the income statement symmetrically to the result of Alliances on the period.

For practical reason, to be able to get timely and accurate information, data as of 30 June 2017 and 31 December 2016 are retained and booked within Alstom 30 September 2017 and 31 March 2017 accounts. The length of the reporting periods and any difference between the ends of the reporting periods remain the same from period to period to allow comparability and consistency.

Summarized combined financial information (at 100%) presented below are the figures as of 30 June 2017 and 31 December 2016 and are established in accordance with IFRS. These financial statements are established in USD and were converted to euros, based on the exchange rates used by the Group, as of 30 September 2017 and 31 March 2017.

Balance sheet

	At 30 June 2017		
(in € million)	**Grid Alliance**	**Renewable Alliance**	**Nuclear Alliance**
Non-current assets	4,289	1,418	990
Current assets	4,444	697	1,575
TOTAL ASSETS	**8,733**	**2,115**	**2,565**
Equity-attributable to the owners of the parent company	2,354	(837)	(325)
Equity-attributable to non-controlling interests	444	25	-
Non-current liabilities	948	216	1,066
Current liabilities	4,987	2,711	1,824
TOTAL EQUITY AND LIABILITIES	**8,733**	**2,115**	**2,565**
Equity interest held by the Group	50%	50%	20%
NET ASSET	**1,177**	**(419)**	**(65)**
Goodwill	139	22	5
CARRYING VALUE OF THE GROUP'S INTERESTS	**1,316**	**(397)**	**(60)**

	At 31 December 2016		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Non-current assets	5,253	1,523	1,124
Current assets	4,459	813	1,749
TOTAL ASSETS	**9,712**	**2,336**	**2,873**
Equity-attributable to the owners of the parent company	2,511	(676)	(225)
Equity-attributable to non-controlling interests	482	30	-
Non-current liabilities	1,835	181	1,074
Current liabilities	4,884	2,801	2,024
TOTAL EQUITY AND LIABILITIES	**9,712**	**2,336**	**2,873**
Equity interest held by the Group	50%	50%	20%
NET ASSET	**1,256**	**(338)**	**(45)**
Goodwill	139	22	5
CARRYING VALUE OF THE GROUP'S INTERESTS	**1,395**	**(317)**	**(40)**

Income statement

	Half-year ended 30 June 2017		
(in € million)	Grid Alliance	Renewable Alliance	Nuclear Alliance
Sales	2 291	489	382
Net income	(40)	(99)	(69)
Share of non-controlling interests	(4)	(2)	-
Net income attributable to the owners of the parent company	**(44)**	**(101)**	**(69)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN THE NET INCOME	**(22)**	**(51)**	**(14)**
Net income attributable to the owners of the parent company	(44)	(101)	(69)
Other comprehensive income	(222)	(63)	(30)
Other items (*)	109	4	-
Change in net asset	**(157)**	**(160)**	**(99)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN CHANGE IN NET ASSET	**(79)**	**(80)**	**(20)**

(*) relates to opening adjustments recognized by GE on Alliance combined accounts.

13.2 The Breakers Investments B.V.

Since 29 December 2015, Alstom owns 33% of The Breakers Investments B.V., the 100% holding company of Transmashholding ("TMH"), the leading Russian railway equipment manufacturer that operates in Russia and in the other countries of the Commonwealth of Independent States (CIS). Alstom also has three seats in the TMH Board of Directors.

For practical reason, to be able to get timely and accurate information, data as of 30 June 2017 and 31 December 2016 are retained and booked within Alstom 30 September 2017 and 31 March 2017 accounts. The length of the reporting periods and any difference between the ends of the reporting periods remain the same from period to period to allow comparability and consistency.

The summarized financial information (at 100%) presented below are the figures disclosed in the financial statements of The Breakers Investments B.V. at 30 June 2017 and 31 December 2016 and are established in accordance with IFRS. These financial statements, established in Rubles, were converted to euros based on the rates used by the Group at 30 September 2017 and 31 March 2017.

ALSTOM

Balance sheet

(in € million)	At 30 June 2017	At 31 December 2016
Non-current assets	859	955
Current assets	1,097	1,381
TOTAL ASSETS	**1,956**	**2,336**
Equity-attributable to the owners of the parent company	777	853
Equity-attributable to non-controlling interests	134	158
Non current liabilities	261	173
Current liabilities	784	1,152
TOTAL EQUITY AND LIABILITIES	**1,956**	**2,336**
Equity interest held by the Group	33%	33%
NET ASSET OF THE BREAKERS INVESTMENTS B.V.	**259**	**284**
Goodwill	76	85
Impairment of share in net asset of equity investments	(64)	(72)
Other (*)	(9)	(16)
CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**262**	**281**

(*) Includes notably fair value restatements calculated at the time of the acquisition.

Income statement

(in € million)	Half-year ended 30 June 2017	Half-year ended 30 June 2016
Sales	1,006	759
Net income from continuing operations	20	27
Share of non-controlling interests	3	5
Net income attributable to the owners of the parent company	**23**	**32**
Equity interest held by the Group	33%	33%
Share in the net income	**8**	**11**
Other items (*)	6	(5)
GROUP'S SHARE IN THE NET INCOME	**14**	**6**
Net income attributable to the owners of the parent company	23	32
Other comprehensive income	(99)	(6)
Change in net asset	**(76)**	**21**
Equity interest held by the Group	33%	33%
GROUP'S SHARE IN CHANGE IN NET ASSET S OF THE BREAKERS INVESTMENTS B.V	**(25)**	**11**
Other items (*)	**6**	**(5)**
SHARE IN THE CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**(19)**	**6**

(*) Includes notably the amortisation of the amounts recognized at the time of allocation of the acquisition price.

13.3 Other associates

The Group's investment in other associates comprises investment in Casco, held by the Group at 49%, for €77 million (of which €16 million of net profit) as well as other associates which are not significant on an individual basis. On aggregate, the net carrying value of Alstom's Investment represents €82 million as of 30 September 2017 (€89 million as of 31 March 2017).

13.4 Investment in joint ventures

	Share in equity		Share of net income	
(in € million)	At 30 September 2017	At 31 March 2017	Half-year ended 30 September 2017	Half-year ended 30 September 2016
SpeedInnov JV	60	60	-	-
Other	-	-	-	1
JOINT VENTURES	**60**	**60**	**-**	**1**

NOTE 14. OTHER NON-CURRENT ASSETS

(in € million)	At 30 September 2017	At 31 March 2017
Financial non-current assets associated to financial debt (1)	241	260
Long-term loans, deposits and other	53	56
Other non-current assets	**294**	**316**

(1) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Note 20). They are made up as follows:

- At 30 September 2017, €216 million receivables and €17 million deposit;
- At 31 March 2017, €244 million receivables and €16 million deposit.

Movements over the period ended 30 September 2017 mainly arose from the decrease of €(12) million of obligations described above and from foreign exchange translation impacts of €(7) million.

F. WORKING CAPITAL

NOTE 15. WORKING CAPITAL

(in € million)	At 30 September 2017	At 31 March 2017	Variation
Inventories	1,108	916	192
Construction contracts in progress, net	(1,746)	(1,652)	(94)
Trade receivables	1,534	1,693	(159)
Other current operating assets / (liabilities)	(131)	(309)	178
Provisions	(781)	(864)	83
Trade payables	(1,249)	(1,029)	(220)
WORKING CAPITAL	**(1,265)**	**(1,245)**	**(20)**

(in € million)	Half-year ended 30 September 2017
Working capital at the beginning of the period	**(1,245)**
Changes in working capital resulting from operating activities	(50)
Changes in working capital resulting from investing activities	55
Translation adjustments and other changes	(25)
Total changes in working capital	**(20)**
Working capital at the end of the period	**(1,265)**

15.1 Inventories

(in € million)	At 30 September 2017	At 31 March 2017
Raw materials and supplies	801	664
Work in progress	276	234
Finished products	139	130
Inventories, gross	**1,216**	**1,028**
Raw materials and supplies	(89)	(92)
Work in progress	(7)	(7)
Finished products	(12)	(13)
Write-down	**(108)**	**(112)**
Inventories, net	**1,108**	**916**

15.2 Construction contracts in progress

(in € million)	At 30 September 2017	At 31 March 2017	Variation
Construction contracts in progress, assets	2,715	2,834	(119)
Construction contracts in progress, liabilities	(4,461)	(4,486)	25
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,746)**	**(1,652)**	**(94)**

(in € million)	At 30 September 2017	At 31 March 2017	Variation
Contracts costs incurred plus recognised profits less recognised losses to date	34,853	33,078	1,775
Less progress billings	(34,335)	(32,454)	(1,881)
Construction contracts in progress excluding down payments received from customers	**518**	**624**	**(106)**
Down payments received from customers	(2,264)	(2,276)	12
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,746)**	**(1,652)**	**(94)**

15.3 Other current operating assets & liabilities

(in € million)	At 30 September 2017	At 31 March 2017
Down payments made to suppliers	130	96
Corporate income tax	36	80
Other taxes	227	209
Prepaid expenses	110	60
Other receivables	258	199
Derivatives relating to operating activities	266	290
Remeasurement of hedged firm commitments in foreign currency	252	431
Other current operating assets	**1,279**	**1,365**

(in € million)	At 30 September 2017	At 31 March 2017
Staff and associated liabilities	384	461
Corporate income tax	14	23
Other taxes	93	79
Deferred income	11	-
Other payables	452	439
Derivatives relating to operating activities	266	487
Remeasurement of hedged firm commitments in foreign currency	190	185
Other current operating liabilities	**1,410**	**1,674**

Over the period ended 30 September 2017, the Group entered into an agreement of assignment of receivables that leads to the derecognition of tax receivables for an amount of €31 million. The total disposed amount outstanding at 30 September 2017 is €119 million.

15.4 Provisions

(in € million)	At 31 March 2017	Additions	Releases	Applications	Translation adjustments and other	At 30 September 2017
Warranties	109	35	(11)	(25)	(1)	107
Litigations, claims and others	141	12	(10)	(3)	11	151
Current provisions	**250**	**47**	**(21)**	**(28)**	**10**	**258**
Tax risks & litigations	215	11	(86)	-	(10)	130
Restructuring	25	15	(1)	(13)	(1)	25
Other non-current provisions	374	5	(4)	(3)	(4)	368
Non-current provisions	**614**	**31**	**(91)**	**(16)**	**(15)**	**523**
Total Provisions	**864**	**78**	**(112)**	**(44)**	**(5)**	**781**

Provisions for warranties relate to estimated costs to be incurred over the residual contractual warranty period on completed contracts.

Provisions for litigations, claims and others relate to commercial disputes and operating risks, not directly linked to contracts in progress.

In relation to tax risks, the Group tax filings are subject to audit by tax authorities in most jurisdictions in which the Group operates. These audits may result in assessment of additional taxes that are subsequently resolved with the authorities or potentially through the courts. The Group believes that it has strong arguments against the questions being raised, that it will pursue all legal remedies to avoid an unfavorable outcome and that it has adequately provided for any risk that could result from those proceedings where it is probable that it will pay some amounts.

Change in the tax risks over the period includes a release of provision further to the latest status of the audit relating to the transfer of the Energy activities.

Restructuring provisions mainly derive from the adaptation of the means of production in certain countries.

Other non-current provisions mainly relate to guarantees delivered in connection with disposals, employee litigations, legal proceedings and environmental obligations.

Main disputes are described in note 24.

G. EQUITY AND DIVIDENDS

NOTE 16. EQUITY

16.1 Capital

At 30 September 2017, the share capital of Alstom amounts to €1,543,655,925 consisting of 220,522,275 ordinary shares with a par value of €7 each. Over the period, the weighted average number of outstanding ordinary shares amounts to 220,164,680 after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions" and to 224,219,734 after the effect of all dilutive instruments.

During the period ended 30 September 2017:

- 2 496 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 157 shares. The 74,554 bonds reimbursable in shares outstanding at 30 September 2017 represent 4,682 shares to be issued;
- 810,288 ordinary shares were issued under equity settled share-based payments.

16.2 Currency translation adjustment

As at 30 September 2017, the currency translation group reserve amounts to € (517) million.

The currency translation adjustment, presented within the consolidated statement of comprehensive income for €(164) million (of which € (159) million for the group and € (5) million for non-controlling interests), primarily reflects the effect of variations of the US Dollar (€(59) million), British Pound (€(3) million), Brazilian Real (€(30) million), Russian Federation Rouble (€(33) million), and Indian Rupee (€(16) million) against the Euro for the half year ended 30 September 2017.

NOTE 17. DISTRIBUTION OF DIVIDENDS

The Shareholders' Meeting of Alstom held on 4 July 2017 decided to distribute for the financial year ended 31 March 2017, a dividend in cash for 0.25 by share. Dividends have been fully paid on 11 July 2017 for a total amount of €55 million.

At 30 September 2017, €4 million of dividends, granted to non-controlling interests, have been approved. Only €1 million is paid over the period.

H. FINANCING AND FINANCIAL RISK MANAGEMENT

NOTE 18. OTHER CURRENT FINANCIAL ASSETS

(in € million)	At 30 September 2017	At 31 March 2017
Derivatives related to financing activities	15	8
OTHER CURRENT FINANCIAL ASSETS	**15**	**8**

NOTE 19. CASH AND CASH EQUIVALENTS

(in € million)	At 30 September 2017	At 31 March 2017
Cash	423	459
Cash equivalents	1,220	1,104
CASH AND CASH EQUIVALENT	**1,643**	**1,563**

At 30 September 2017, the group invested in the following cash equivalents:

- Euro money market funds in an amount of €863 million (€746 million at 31 March 2017) qualified as "monetary" or "monetary short-term" under the French AMF classification;
- Bank term deposits that can be terminated at any time with less than three months notification period in an amount of €357 million (€358 million at 31 March 2017).

NOTE 20. FINANCIAL DEBT

		Cash movements	Non-cash movements			
(en millions d'€)	At 30 March 2017	Net cash variation	Change in scope	Assets acquired under finance leases	Translation adjustments and other	At 30 September 2017
Bonds	1,519	-	-	-	1	1,520
Other borrowing facilities	175	(7)	-	-	(18)	150
Put options and earn-out on acquired entities	55	(3)	-	-	(10)	42
Derivatives relating to financing activities	12	-	-	-	-	12
Accrued interests (*)	17	(15)	-	-	34	36
Borrowings	**1,778**	**(25)**	**-**	**-**	**7**	**1,760**
Non-current	*1,362*	*11*	-	-	*(55)*	*1,318*
Current	*416*	*(21)*	-	-	*47*	*442*
Obligations under finance leases	17	(1)	-	-	-	16
Other obligations under long-term rental (**)	244	(13)	-	-	(7)	224
Obligations under finance leases	**261**	**(14)**	**-**	**-**	**(7)**	**240**
Non-current	*233*	*(14)*	-	-	*(5)*	*214*
Current	*28*	-	-	-	*(2)*	*26*
Total financial debt	**2,039**	**(39)**	**-**	**-**	**-**	**2,000**

(*) Paid interests are disclosed in the net cash provided by operating activities part in the cash flow statement. Net interests paid and received amount to €(15) million over the semester.

(**) The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Note 14).

The following table summarizes the significant components of the Group's bonds:

	Initial Nominal value (in € million)	Maturity date (dd/mm/yy)	Nominal interest rate	Effective interest rate	Accounting value at 30 September 2017	Market value at 30 September 2017
Alstom October 2017	350	11/10/2017	2.25%	2.44%	272	272
Alstom October 2018	500	05/10/2018	3.63%	3.71%	371	385
Alstom July 2019	500	08/07/2019	3.00%	3.18%	282	298
Alstom March 2020	750	18/03/2020	4.50%	4.58%	595	662
Total and weighted average rate			**3.61%**	**3.72%**	**1,520**	**1,617**

Other borrowings consist in banking facilities drawn by affiliates.

NOTE 21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

21.1 Financial instruments reported in the financial statements

The main categories of financial assets and financial liabilities of the Group are identical to those identified in the consolidated financial statements at 31 March 2017.

21.2 Currency risk management

Derivatives relating to operating activity

In the normal course of business, the Group is exposed to currency risk arising from tenders submitted in foreign currency, awarded contracts and any future cash out transactions denominated in foreign currency.

The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposure on any individual sale or purchase transaction in excess of €100,000. Forward currency contracts must be denominated in the same currency as the hedged item. It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximize hedge effectiveness.

Alstom Holdings is engaged on external derivatives on behalf of its subsidiaries. Most of the hedging instruments are negotiated by Alstom Holdings and are mirrored by hedging agreements between Alstom Holdings and the subsidiaries of the Group concerned. Whenever local regulations prohibit central hedging, instruments are negotiated directly with local banks.

At 30 September 2017, the fair value of hedging instruments is immaterial (Note 15.3).

Derivatives relating to financing activity

Whenever possible, Alstom Holdings acts as an in-house bank for its affiliates through cash-pooling and loans / deposits agreements. The intercompany positions so generated are hedged through Foreign exchange swaps, the cost of which is included in net cost of foreign exchange (Note 7).

At 30 September 2017, net derivatives positions amount to a net asset of €3 million and comprise mainly forward currency contracts of British pound, Israeli sheqel, South African rand, Saudi riyal and United Arab Emirates dirham.

21.3 Liquidity risk management

In addition to its available cash and cash equivalents, amounting to €1,643 million at 30 September 2017, the Group can access a €400 million revolving credit facility, maturing in June 2022, which is fully undrawn at September 2017.

This facility is subject to the Ratio of total net debt to EBITDA:

- Total net debt is defined as total debt except financial lease and financial derivatives less cash and cash equivalents,
- The EBITDA is defined as earnings before financing expense, financing income, income taxes, amortisation and impairment charges on tangible and intangible assets (over sliding 12 months for the semester).

This ratio should not exceed 2.5.

The financial covenant calculation is detailed below:

(in € million)	Half-year ended 30 September 2017	For the year ended 31 March 2017
EBITDA	553	515
Total net debt	105	203
Total Net debt leverage	**0.2**	**0.4**

At closing of the transaction with Siemens, Alstom will have to be waived of the change of control clauses, as usual in this context, if the Group wishes to keep benefiting from this facility.

Also, the bond issues of ALSTOM contain a clause of change of control, forecasting the possibility for any bondholder to require the early refund in 101 % of the nominal of its obligations during a limited period following a change of control.

21.4 Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a loss. The Group is exposed to credit risk on its operating activities (primarily for trade receivables) and on its financing activities.

Risk related to customers

The Group believes that the risk of a counterpart failing to perform as contracted, which could have a significant impact on the Group's financial statements or results of operations, is limited because customers generally have strong credit profiles or adequate financing to meet their project obligations.

Risk related to other financial assets

The Group's exposure to credit risk related to other financial assets, especially derivatives, arises from default of the counterpart. The financial instruments are taken out with over 30 different counterparties and the risk is therefore highly diluted.

Risk related to cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by Group treasury in accordance with the Group's policy.

The Group diversifies its cash investments in order to limit its counterparty risk. Cash investments are reviewed on a regular basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7 and the AMF's recommendations.

I. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

NOTE 22. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

The net liability on post-employment and on other long term employee defined benefits is calculated using the latest valuation at the previous financial year closing date. Adjustments of actuarial assumptions are performed on main contributing areas (United Kingdom, Germany, France, Switzerland, Italy and the United States of America) if significant fluctuations or one-time events have occurred during the 6 months period. The fair value of main plan assets was reviewed at 30 September 2017.

Discount rates for main geographic areas (weighted average rates)

(in %)	At 30 September 2017	At 31 March 2017
United Kingdom	2.65%	2.50%
Euro zone	1.70%	1.50%
Other	2.59%	2.48%

Movements of the period

At 30 September 2017, the net provision for post-employment benefits amount to €491 million compared €526 million at 31 March 2017. The variation of actuarial gains and losses arising from post-employment defined benefit plans recognized in the Other comprehensive income amounts to €(37) million for the half-year ended 30 September 2017 because of the evolution of the discount rate by geographic areas.

Other variations on the period ended 30 September 2017 mainly arose from service costs related to defined benefits that are consistent with costs incurred in previous period, and with projections estimated in actuarial valuations performed at 31 March 2017.

J. CONTINGENT LIABILITIES AND DISPUTES

NOTE 23. CONTINGENT LIABILITIES

Contractual obligations

Contractual obligations of the Group towards its customers may be guaranteed by bank bonds or insurance bonds. Bank and insurance bonds may guarantee liabilities already recorded on the balance sheet as well as contingent liabilities.

To issue these bonds, the Group relies on both uncommitted bilateral lines in numerous countries and a €3 billion Committed Bilateral Bonding Facility Agreement ("CBBGFA") with five tier one banks allowing issuance until 2st November 2019 of bonds with tenors up to 7 years. This bilateral line contains a change of control clause, which may result in the programme being suspended, in the obligation to procure new bonds to replaces outstanding bonds or to provide cash collateral, as well as early reimbursement of the other debts of the Group, as a result of their crossdefault or cross-acceleration provisions. Preparing the closing of the transaction with Siemens, Alstom will ask the lenders to accept change in control clause. The Group doesn't expect any difficulty to obtain this consent.

As at 30 September 2017, the total outstanding bonding guarantees related to contracts from continuing operations, issued by banks or insurance companies, amounted to €8.2 billion (€ 8.3 billion at 31 March 2017).

The available amount under the Committed Bilateral Bonding Guarantee Facility Agreement at 30 September 2017 amounts to €1 billion (€1.2 billion at 31 March 2017). The Committed Bilateral Bonding Guarantee Facility Agreement includes a financial covenant (leverage ratio) based on consolidated figures of the Group and consistent with the financial covenant of the revolving credit facility.

The key Group indicators used to calculate the financial covenants are detailed in Note 21.3.

NOTE 24. DISPUTES

As a preliminary remark, it shall be noted that, by taking over Alstom's Energy Businesses, General Electric undertook to assume all risks and liabilities exclusively or predominantly associated with said businesses and in a symmetrical way, Alstom undertook to keep all risks and liabilities associated with the non-transferred business. Cross-indemnification for a duration of 30 years and asset reallocation ("wrong pocket") mechanisms have been established to ensure that, on the one hand, assets and liabilities associated with the Energy businesses being sold are indeed transferred to General Electric and on the other hand, assets and liabilities not associated with such businesses are borne by Alstom. As a result, the consequences of litigation matters that were on-going at the time of the sale and associated with these transferred activities are taken over by General Electric. Indemnity provisions protect Alstom in case of third party claims directed at Alstom and relating to the transferred activities. For this reason and since Alstom no longer manages these litigation matters, Alstom is ceasing to include them in this section.

Disputes in the Group's ordinary course of business

The Group is engaged in several legal proceedings, mostly contract-related disputes that have arisen in the ordinary course of business. These disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large long-term projects. In some cases, the amounts, which may be significant, are claimed against the Group, sometimes jointly with its consortium partners.

In some proceedings the amount claimed is not specified at the beginning of the proceedings. Amounts retained in respect of these litigations are taken into account in the estimate of margin at completion in case of contracts in progress or included in provisions and other current liabilities in case of completed contracts when considered as reliable estimates of probable liabilities. Actual costs incurred may exceed the amount of initial estimates because of a number of factors including the inherent uncertainties of the outcome of litigation.

Other disputes

Asbestos

Some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos in France essentially and in Italy, Spain and the United Kingdom. In France, these proceedings are initiated by certain employees or former employees suffering from an occupational disease in relation to asbestos with the aim of obtaining a court decision allowing them to obtain a supplementary compensation from the French Social Security funds. In addition employees and former employees of the Group not suffering from an asbestos related occupational disease have started lawsuits before the French courts with the aim of obtaining compensation for damages in relation to their alleged exposure to asbestos, including the specific anxiety damage.

The Group believes that the cases where it may be required to bear the financial consequences of such proceedings do not represent a material exposure. While the outcome of the existing asbestos-related cases cannot be predicted with reasonable certainty, the Group believes that these cases would not have any material adverse effect on its financial condition.

Alleged anti-competitive activities

Transportation activities in Brazil

In July 2013, the Brazilian Competition Authority ("CADE") raided a number of companies involved in transportation activities in Brazil, including the subsidiary of Alstom, following allegations of anti-competitive practices and illegal payments. After a preliminary investigation stage, CADE notified in March 2014 the opening of an administrative procedure against several companies, of which the Alstom's subsidiary in Brazil, and certain current and former employees of the Group. Alstom is cooperating with CADE. In case of proven anti-competitive practices, possible sanctions include fines, criminal charges and a temporary exclusion from public contracts. Civil damages are also possible. Following the opening phase, this procedure has continued with the phase of production of evidence. The hearing phase took place from January to March 2016, with the deposition of current and former employees of the Group as well as the questioning of witnesses. CADE has actively asserted its positions in this phase of the proceedings. The final report setting forth its conclusions on the procedure is expected to be presented in the coming months. It remains difficult to assess with precision the outcome of this procedure. Current and former employees of Alstom are also subject to criminal proceedings initiated by the public prosecutor of the state of Sao Paulo in connection with some of the Transport projects subject to CADE procedure.

In December 2014, the public prosecutor of the state of Sao Paulo also initiated a lawsuit against Alstom's subsidiary in Brazil, along with a number of other companies, related to alleged anti-competitive practices regarding the first phase of a train maintenance project, which is also subject to administrative proceedings since 2013. In the last quarter of 2016, this Alstom subsidiary in Brazil, along with a number of other companies, faced the opening of another lawsuit by the public prosecutor of the state of Sao Paulo related to alleged anti-competitive practices regarding a second phase of the said train maintenance project. In case of proven illicit practices, possible sanctions can include the cancellation of the relevant contracts, the payment of damage compensation, the payment of punitive damages and/or the dissolution of the Brazilian companies involved.

Alleged illegal payments

Certain companies and/or current and former employees of the Group are currently being investigated and/or subject to procedures, by judicial or administrative authorities (including in Brazil, in the United Kingdom and in France) or international financial institutions with respect to alleged illegal payments in certain countries.

With respect to these matters, the Group is cooperating with the concerned authorities or institutions. These investigations or procedures may result in criminal sanctions, including fines which may be significant, exclusion of Group subsidiaries from tenders and third-party actions.

The Prosecutor of the State of Sao Paulo launched in May 2014 an action against a Group's subsidiary in Brazil, along with a number of other companies, for a total amount asserted against all companies of BRL2.5 billion (approximately €660 million) excluding interests and possible damages in connection with a transportation project. The Group's subsidiary is actively defending itself against this action.

Alstom has concluded on 22 December 2014 an agreement with the US Department of Justice (DOJ) in order to put an end to the investigation conducted in the United States from 2010 on subsidiaries of the Group relating to alleged potential violations of the Foreign Corrupt Practices Act (FCPA). This agreement was approved by the competent American court during a hearing held on 13 November 2015 and the payment of the fine stipulated in the agreement was effected on 23 November 2015. Subsequent to the validation of the agreement at the end of 2015, Alstom has submitted to the DOJ three annual reports on its integrity program pursuant to the applicable three-year reporting period, the last of which was submitted end of September 2017.

In the United Kingdom, the Serious Fraud Office (SFO) began investigations in 2010. The SFO opened during fiscal year 2014/15 three criminal prosecutions against entities of the Group and certain current and past employees of the Group in connection with transportation projects located in Poland, Tunisia, India and Hungary, and with an energy project located in Lithuania that is no longer handled by Alstom. In March 2016, the SFO announced that it was pressing charges against a seventh individual in its investigation. Following a shift in the procedural calendar, the trial phase for the project in Hungary took place during the summer of 2017 and could not be concluded. It has now been scheduled for September 2018 with the trial phase for the other transportation projects being scheduled in January of 2018. It remains difficult to assess with precision the outcome of these procedures.

Budapest metro

In 2006, Alstom was awarded by BKV a contract for the delivery of metros for two lines in the city of Budapest. During the execution of the project, Alstom experienced delays mostly related to technical change requests from BKV and the refusal by the Hungarian Authority "NKH" to deliver the final train homologation in 2010 (in August 2007, NKH granted a Preliminary Type License). On 19 October 2010 BKV terminated the contract and called the bank guarantees. In July 2011 the parties agreed the re-entry into force of the contract and the suspension of the arbitration procedure initiated by Alstom in January 2011. The final train homologation was obtained in July 2012. The arbitration proceedings resumed on 17 December 2012 and are at the phase of assessments of damages claimed by the parties and expertise. The expert appointed by the arbitral tribunal has issued preliminary findings for review by the parties and this process is expected to continue until the end of 2017.

CR-1 Marmaray railway infrastructure – Turkey

In March 2007, the Turkish Ministry of Transport (DLH) awarded the contract to upgrade approximately 75 km of railway infrastructure in the Istanbul region, known as the "Marmaray Commuter Rail Project (CR-1)" to the consortium Alstom Dogus Marubeni (AMD), of which Alstom Transport's main French subsidiary is a member. This project, which included works on the transcontinental railway tunnel under the Bosphorus, has undergone significant delays mainly due to difficulties for the DLH to make the construction site available.

Thus, the AMD consortium terminated the contract in 2010. This termination was challenged by DLH, who thereafter called the bank guarantees issued by the consortium up to an amount of approximately €80 million. Following injunctions, the payment of such bank guarantees was forbidden and the AMD consortium immediately initiated an arbitration procedure to resolve the substantive issues. The arbitral tribunal has decided in December 2014 that the contract stands as terminated by virtue of Turkish law and has authorised the parties to submit their claims for compensation of the damages arising from such termination. Following this decision on the merits, DLH made renewed attempts in 2015 to obtain payment of the bank guarantees but defense proceedings by the AMD consortium have enabled so far to reject these payment requests.

The arbitration procedure is now in the phase of assessment of damages. The parties have presented their respective positions and the phase of exchange of claims and counterclaims memorials is over. Final hearings are expected to be completed by end of 2017.

Also, through arbitration request notified on 29 September 2015, Marubeni Corporation launched proceedings against Alstom Transport SA taken as consortium leader in order to be compensated for the consequences of the termination of the contract with AMD. In a similar fashion, through arbitration request issued on 15 March 2016, the other consortium member Dogus launched proceedings against Alstom Transport SA with similar demands and a request to have the disputes between consortium members consolidated in a single case.

Alstom Transport SA is rejecting these compensation requests and is defending itself in these proceedings between consortium members which, while having gone through a consolidation in a single case, have however been suspended by the arbitral tribunal pending the outcome of the main arbitral proceedings between AMD and DLH.

Regional Minuetto trains & high-speed Pendolino trains – Italy

Alstom Transport's subsidiary in Italy is involved in two litigation proceedings with the Italian railway company Trenitalia. One is related to a supply contract of regional Minuetto trains awarded in 2001 (the "Minuetto case"), and the other to a supply contract of high-speed Pendolino trains awarded in 2004 (the "Pendolino case"). Each of these contracts has undergone technical issues and delays leading the Trenitalia company to apply delay and technical penalties and, consequently, to withhold payments. Since the parties dispute certain technical matters as well as the causes and responsibilities of the delays, the matter was brought before Italian courts in 2010 and 2011 respectively. In the Minuetto case, the technical expertise report has been released and Alstom has challenged its contents with amendment requests. The technical expert submitted his final report in April 2017 and certain amendment requests were taken into account. The procedure is now in the phase of exchange of final summary memorials, which is expected to continue until 2018. In the Pendolino case, the technical expertise report was also released and Alstom has obtained certain corrections following its challenge on some of the conclusions of the report. On this case, the expertise phase is therefore over and the proceedings continue their path on the legal aspects of the dispute.

Intercity trains Poland

On 30 May 2011, PKP Intercity SA ("PKP") and Alstom Transport subsidiaries in Poland and Italy entered into a contract for the delivery of trains and maintenance services to PKP. The delivery of the trains with the planned signalling system was not possible due to the lack of necessary railway infrastructure in Poland. Therefore, a dispute has arisen between the parties in connection with damages arising from project delays and PKP initiated arbitration proceedings on 29 April 2015. Following the phase of assessment of damages claimed by the parties, these arbitration proceedings have progressed towards the closing of hearings. On 12 December 2016, the Alstom subsidiaries involved in this case received the notification of the arbitral decision whereby the arbitrators came to the conclusion that these subsidiaries had to compensate PKP for delay damages amounting to € 42 million (plus interests and legal costs), following which PKP was indemnified in January 2017 through a draw-down on the project bond.

Alstom strongly contests the arbitral decision and has launched proceedings in Poland in the Court of Appeal of Katowice to obtain the cancellation of this decision and the compensation of damages suffered by Alstom as a result, in particular, of the call on the project bond. The Court of Appeal of Katowice rejected Alstom's request for cancellation of the arbitral decision in August 2017 and Alstom filed a recourse to the Supreme Court on 16 October 2017.

Saturno

Following a dispute within a consortium involving Alstom's subsidiary in Italy and three other Italian companies, the arbitral tribunal constituted to resolve the matter has rendered in August 2016 a decision against Alstom by awarding €22 million of damage compensation to the other consortium members. Alstom's subsidiary strongly contests this decision and considers that it should be able to avoid its enforcement and thus prevent any damage compensation payment.

On 30 November 2016, Alstom's subsidiary filed a motion in the Court of Appeals of Milan to obtain the cancellation of the arbitral award. On 1 December 2016, Alstom's subsidiary filed an ex parte motion for injunctive relief to obtain the suspension of the arbitral award pending the outcome of the appeal proceedings, which was temporarily accepted by the Court.

After a phase of hearings in contradictory proceedings on the request for suspension of the arbitral award, the Court of Appeals of Milan decided on 3 March 2017 in favor of Alstom's subsidiary by confirming definitively the suspension of this arbitral decision pending the outcome of the proceedings relating to the cancellation of such decision.

Jerusalem LRT

On the Jerusalem light rail tramway project, a dispute started in 2009 between the Concessionaire CityPass and the State of Israel to ascertain responsibilities for certain project delays and extra costs. Alstom's subsidiary in charge of the project is involved in the dispute in its capacity as EPC Contractor. The resolution of this dispute was initially handled through some form of dispute review board with two arbitrators reviewing claims and counterclaims produced by the parties and giving instructions to delay and quantum experts. In the past months, the matter has been evolving towards full-fledged arbitration proceedings with the parties being in the process of appointing a new panel of three arbitrators who will have to decide on the resolution of the dispute. Once this arbitral tribunal is constituted, its main tasks will be to review the financial compensation claimed by the Concessionaire and Alstom for the project prolongation, and to decide on the admissibility of the counterclaims raised by the State of Israel.

There are no other governmental, legal or arbitration procedures, including proceedings of which the Group is aware and which are pending or threatening, which might have, or have had during the last six months, a significant impact on the financial situation or profitability of the Group.

K. OTHER NOTES

NOTE 25. RELATED PARTIES

During the 6 months period ended 30 September 2017, there was no major modification concerning related parties as described in 2016/2017 Annual Financial report.

Related party transactions are mainly transactions between Alstom and:

- State-owned companies, in particular SNCF, RATP and some of their subsidiaries. All these transactions are subject to public tenders with strict regulation and competition at normal market terms and represent €470 million sales at 30 September 2017. In addition, the trade receivables with those related parties amount to €117 million, and the total outstanding bonding and parent guarantees related to those contracts amounted to €926 million at 30 September 2017;
- Bouygues through various contracts which are part of the ordinary course of business (e.g. phone contracts, construction contracts). These relations are subject to normal market terms and conditions. Those operating flows are not material at Group level;
- Associates over which Alstom exercises significant influence or joint ventures over which Alstom exercises joint control. At Group level, transactions with related parties are undertaken at market prices.

NOTE 26. SUBSEQUENT EVENTS

There are no significant subsequent events to be reported.

Report of independent auditors on the half-year financial information

PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine

MAZARS
61, rue Henri Regnault
92075 Paris La Défense

STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

(Period from 1 April to 30 September 2017)

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,
ALSTOM
48 rue Albert Dhalenne
93400 Saint-Ouen
France

In compliance with the assignment entrusted to us by your Shareholder's Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Alstom, for the period from 1 April to 30 September 2017;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matters set out in the Note 24 “Disputes” to the condensed interim consolidated financial statements, which describes ongoing investigations by judicial authorities with respect to alleged illegal payments in certain countries.

2. Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, 13 November 2017

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	MAZARS
Edouard Demarcq	Cédric Haaser

Responsibility statement of the person responsible for the half-year financial report

ALSTOM

48 rue Albert Dhalenne
93400 Saint-Ouen (France)
Tel.: 33 (0)1 57 06 90 00
Fax: 33 (0)1 57 06 96 66
www.alstom.com

STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF YEAR FINANCIAL REPORT*

I hereby certify that, to my knowledge, the condensed consolidated financial statements of ALSTOM (the "Company") for the half-year of fiscal year 17/18, are prepared under generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of operations of the Company and of all enterprises included in its scope of consolidation, and that the half year management report included herein presents a true and fair view of the main events which occurred in the first six months of the fiscal year and their impact on the condensed accounts, as well as the main related-party transactions and a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Saint-Ouen, 13 November 2017

Henri Poupart-Lafarge

Chairman and Chief Executive Officer

**This is a free translation of the statement signed and issued in French Language by the Chairman and Chief Executive Officer of the Company and is provided solely for the convenience of English speaking readers.*

ALSTOM
Société Anonyme au capital de 1 552 769 603€
Siège social : 48 rue Albert Dhalenne
93400 Saint-Ouen (France)
389 058 447 RCS Bobigny