



# Alstom Presentation

March 2017

**ALSTOM**  
*Designing fluidity*

# Disclaimer

*This presentation contains forward-looking statements which are based on current plans and forecasts of Alstom's management. Such forward-looking statements are by their nature subject to a number of important risk and uncertainty factors (such as those described in the documents filed by Alstom with the French AMF) that could cause actual results to differ from the plans, objectives and expectations expressed in such forward-looking statements.*

*These such forward-looking statements speak only as of the date on which they are made, and Alstom undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.*

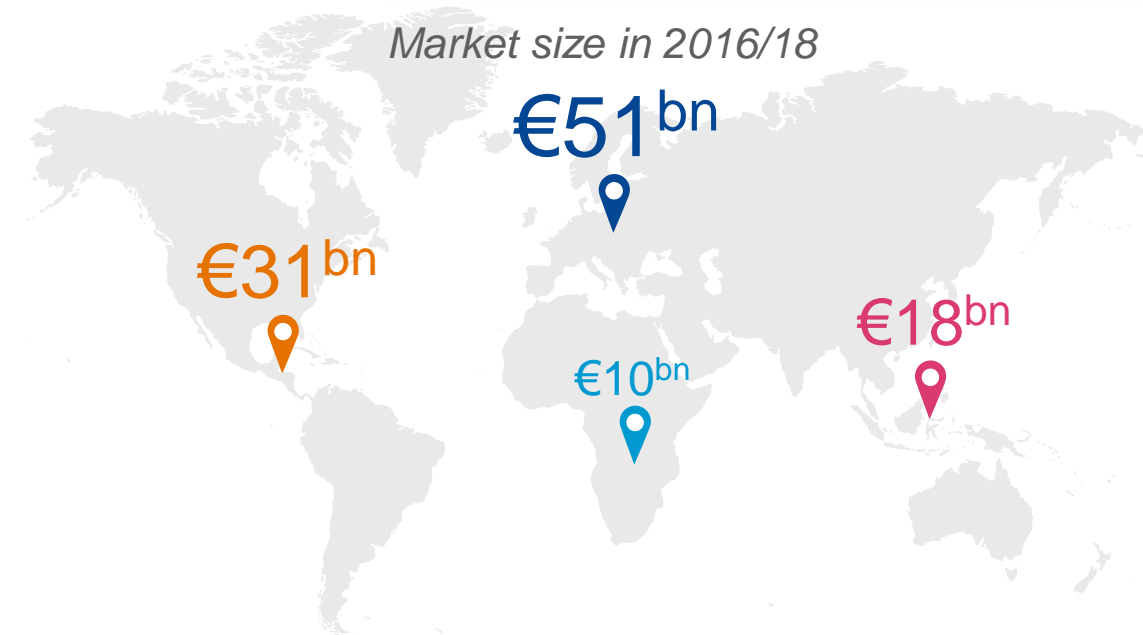
# A dynamic market with solid long-term drivers

URBANISATION

GOVERNMENTAL FUNDING

SUSTAINABLE DEVELOPMENT

ECONOMIC GROWTH



- Solid growth drivers
- Market worth more than €100 bn
- Market driven by **urban & integrated systems**
- Dynamic growth in **Asia Pacific**

Average annual growth  
between 13/15 – 19/21

AMERICAS

+ 2.3 %

ASIA  
PACIFIC

+ 5.4 %

EUROPE

+ 3.0 %

MIDDLE EAST  
AFRICA

+ 3.2 %

Note: Annual average – Accessible market  
Source: UNIFE Market Study 2016

ALSTOM – February 2016 – P 3

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ALSTOM

# Activities: a complete range of solutions



## TRAINS

- Tram, metro, suburban/regional, high speed, very high speed, locomotive
- Components: traction, bogie, motor

46%



## SERVICES

- Maintenance
- Modernisation
- Spare parts, repairs & overhaul
- Support services

21%



## SIGNALLING

- Signalling solutions portfolio for: main lines, urban, control and security
- Sold as products or solutions

19%



## SYSTEMS

- Integrated solutions
- Infrastructure

14%



Note: % of H1 2016/17 sales  
ALSTOM – February 2016 – P 4

# H1 2016/17 key figures

<i>In € million</i>	<b>H1 2015/16</b>	<b>H1 2016/17</b>	<b>% change reported</b>	<b>% change organic</b>
Backlog	27,719	<b>33,570</b>	21%	22%
Orders	3,897	<b>6,212</b>	59%	66%
Sales	3,303	<b>3,570</b>	8%	7%
Adjusted EBIT	167	<b>200</b>	20%	
<i>Adjusted EBIT margin</i>	5.1%	<b>5.6%</b>		
Net income – Group share	(57)	<b>128</b>		
Free cash flow	(1,336)	<b>333</b>		

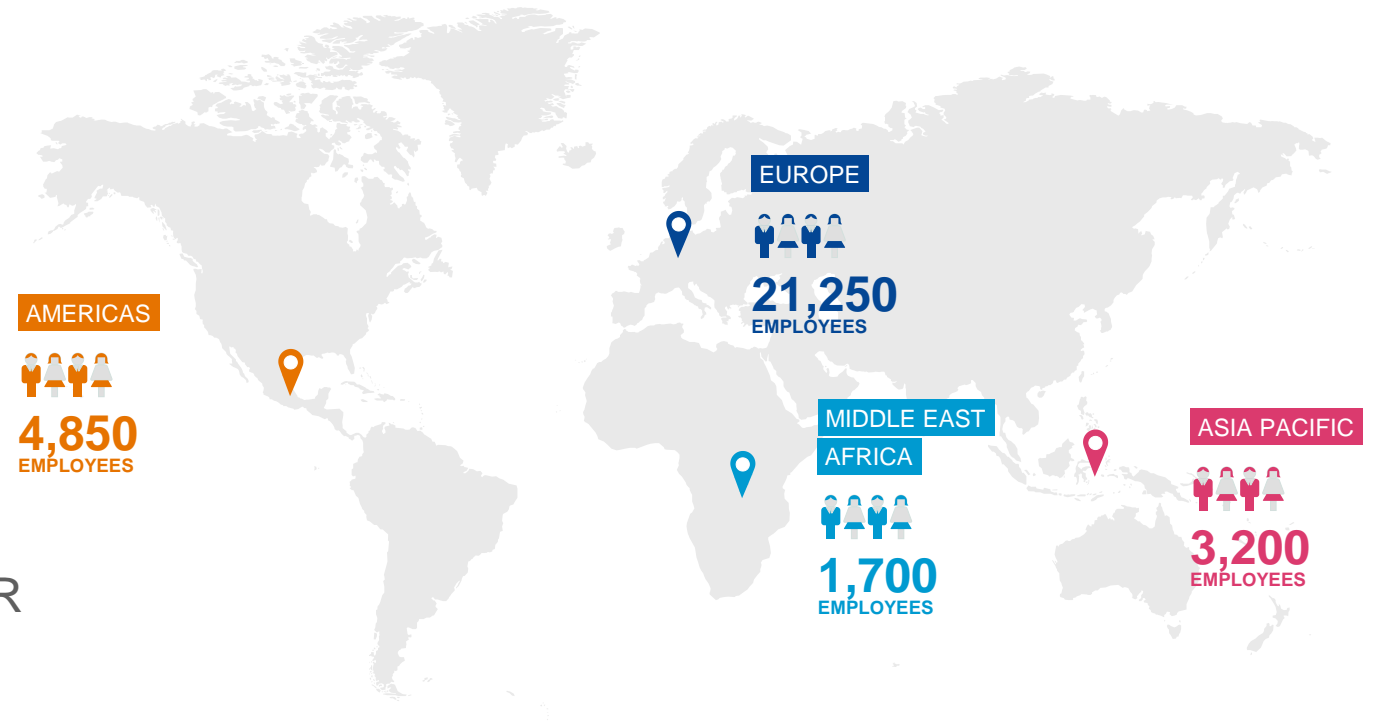
# An ambitious strategy for 2020



# Customer-focused organisation and multi-local presence

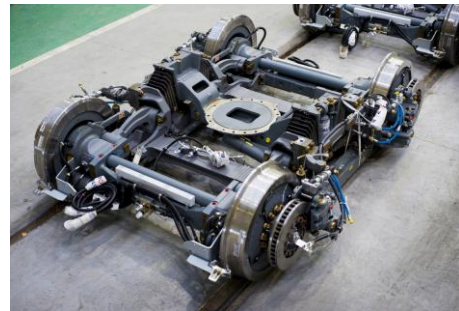
## ■ 31,000 employees working on 105 sites in 60 countries serving 200 customers

- **Regions:** close to customers, in charge of execution
- **Operational functions:** global cohesion, processes and platforms
- **Support functions:** finance, legal, HR global efficiency



Being a reference player in each region

# A complete range of solutions



Bogie for Citadis



Coradia Nordic in Sweden



Sydney metro & signalling



Tramway integrated system for Lusail

COMPONENTS

INDIVIDUAL SOLUTION

BUNDLED OFFER BETWEEN 2 SOLUTIONS

FULLY INTEGRATED SYSTEM

INCREASING DEMAND FOR INTEGRATION

Systems, Signalling and Services to represent around 60% of sales by 2020



# Staying a step ahead

1

Boost technical innovation to increase differentiation



Citadis X05

2

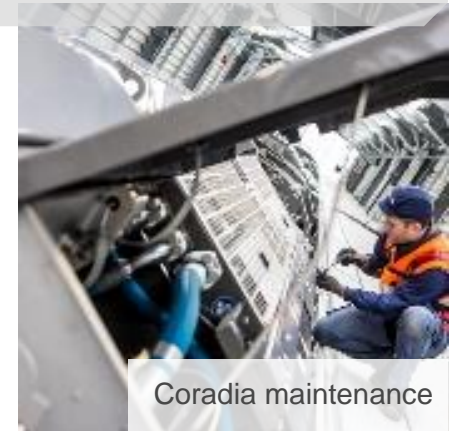
Invest in competitiveness-oriented technology



Attractis tramway system

3

Optimise customers' total cost of ownership



Coradia maintenance

An R&D strategy focused on differentiation and competitiveness  
Sustain R&D expenses and reach 30% of total orders coming from newly developed products by 2020

# Operational excellence

## ■ Competitive offering

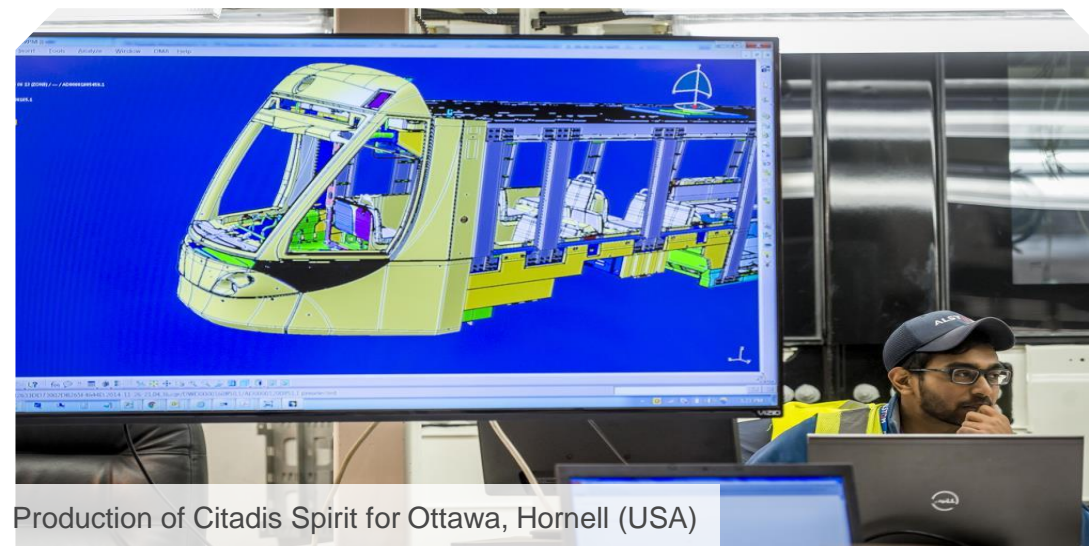
- Sourcing
- Global footprint

## ■ Excellence in delivery

- Global business transformation underway
- Strong project management skills
- Flawless execution

## ■ A digitalisation plan to create an agile and effective information system

## ■ Cash focus programme



To remain competitive while supporting margin improvement

# 2020 OBJECTIVES

- **Sales expected to grow at 5% per year organically**
- **Adjusted EBIT margin to reach around 7%**
- **c. 100% conversion from net income to free cash flow**



[www.alstom.com](http://www.alstom.com)

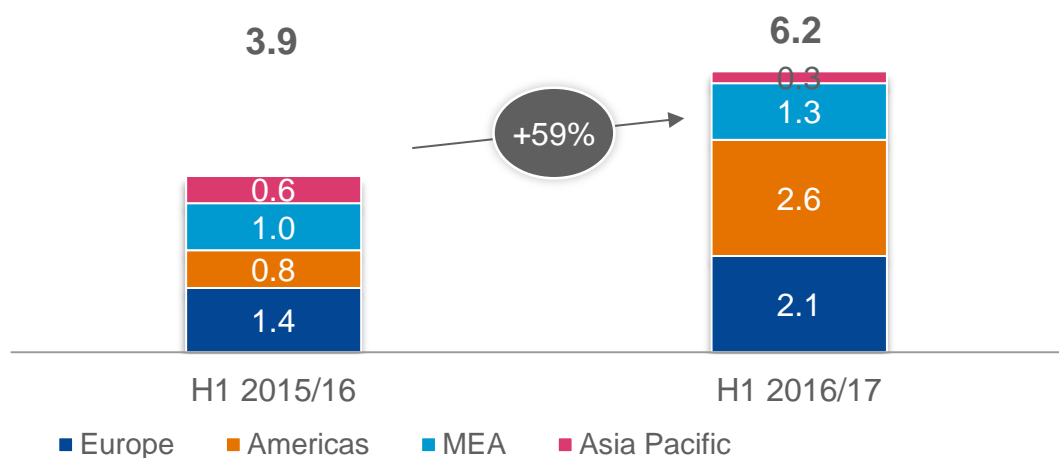
**ALSTOM**  
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- 1 **Alstom H1 2016/17**
- 2 Alstom 9M 2016/17
- 3 Alstom 2020 strategy
- 4 Alstom 2020 objectives

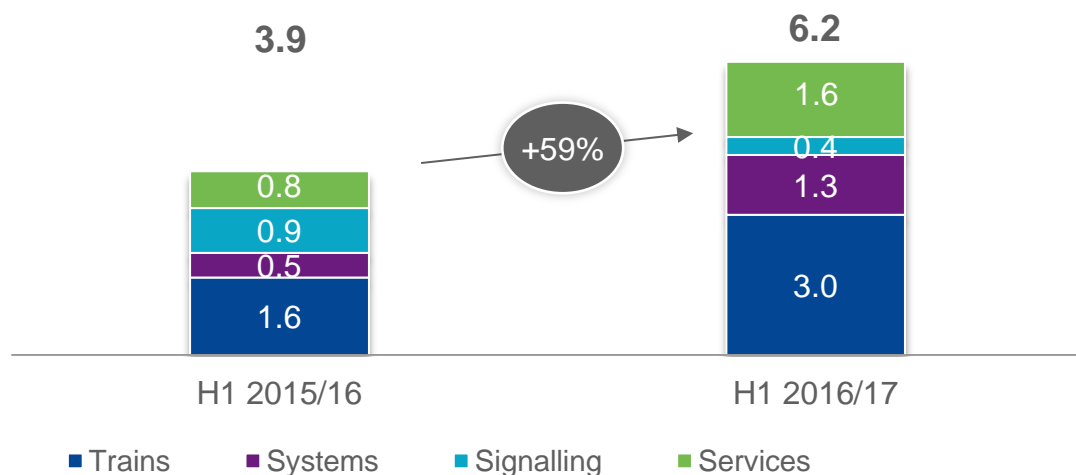
# Customer-focused organisation

## Continued strong commercial performance

Orders (in € billion)



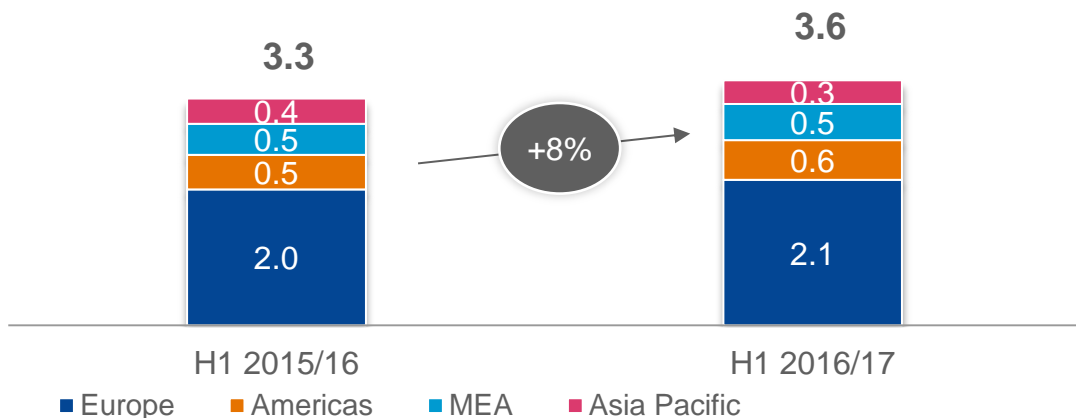
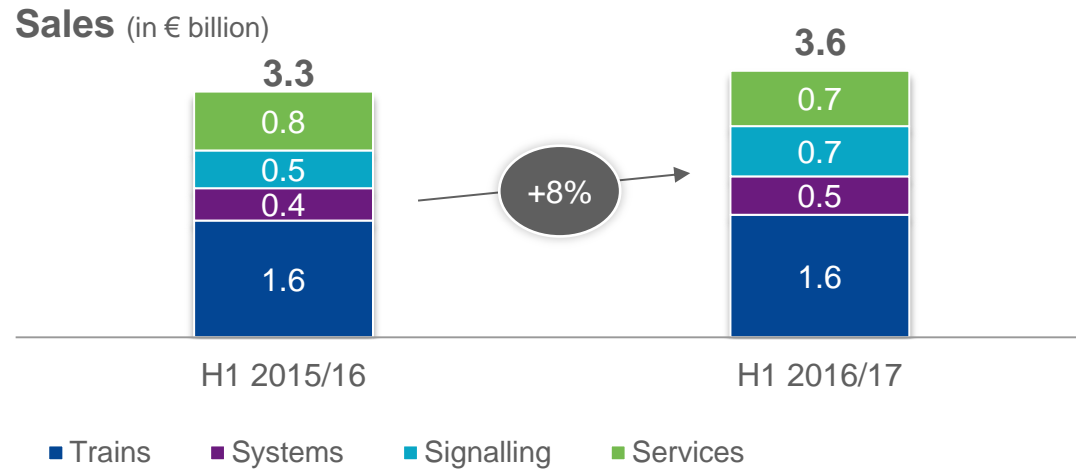
- Strong order intake of €6.2bn
- Book to bill above 1.7
- New record-breaking backlog of €33.6bn



—●— % change reported

# Complete range of solutions

Organic sales growth of 7%



## ■ 5% growth in standalone Trains

- Suburban, regional and high-speed trains in Europe (France, Italy, Sweden, etc.)
- On-going execution of PRASA project
- Tramway deliveries in Algeria

## ■ 20% growth in Systems

- Progress on metro system in Saudi Arabia
- Tramway systems in Brazil and Qatar
- Infrastructure in UK

## ■ 33% growth in Signalling

- Deliveries in Canada
- Contribution of GE signalling

## ■ Slight decrease in Services

- Adverse forex impact on UK contract

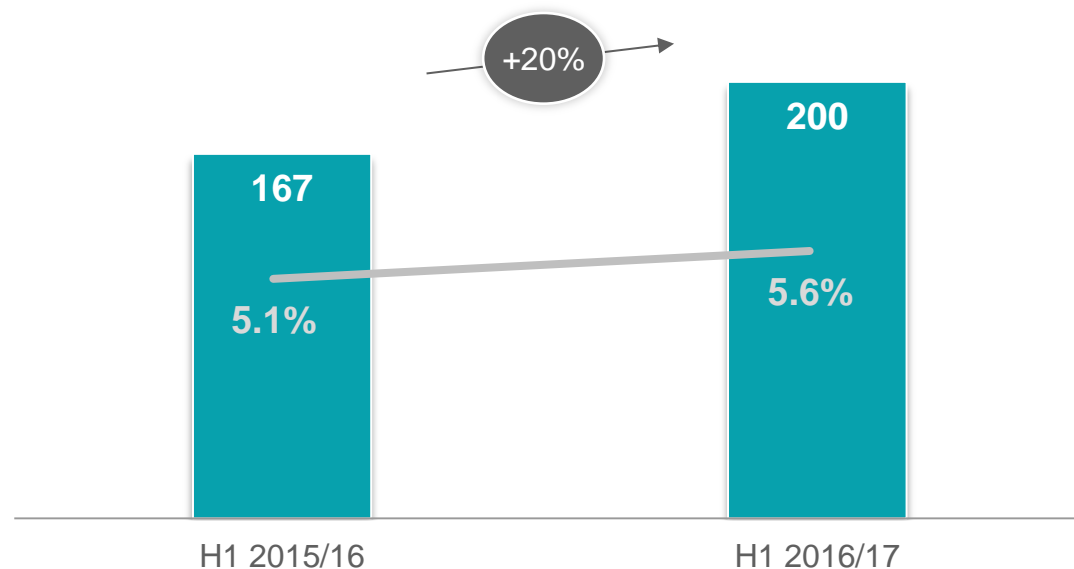
—●→ % change reported

# Operational excellence

Continued strong operational performance

Adjusted EBIT (in € million)

— As % of sales



- Volume increase
- Portfolio mix improvement with accretive acquisitions
- On-going initiatives for operational excellence

— ● — % change reported



# Income statement

In € million

	H1 2015/16*	H1 2016/17
<b>Sales</b>	3,303	<b>3,570</b>
<b>Adjusted EBIT</b>	167	<b>200</b>
<i>Adjusted EBIT margin</i>	5.1%	<b>5.6%</b>
Restructuring charges	(14)	-
Other charges	(29)	(32)
EBIT	124	168
Financial result	(86)	(71)
Tax result	(2)	(32)
Share in net income of equity investees	13	47
Minority interests from continued op.	(8)	(8)
Net income – Discontinued operations **	(98)	24
<b>Net income – Group share</b>	(57)	<b>128</b>

\* Includes mainly the reclassification of separation costs of €(23) million from other charges to net income - discontinued operations

\*\* Group share

# Free cash flow

<i>In € million</i>	H1 2015/16	H1 2016/17
<b>Adjusted EBIT</b>	167	200
Depreciation & amortisation	74	69
Restructuring cash-out	(24)	(18)
Capex	(50)	(43)
R&D capitalisation	(28)	(21)
Change in working capital	(164)	188
Financial cash-out	(83)	(11)
Tax cash-out	(162)	(40)
Other*	(1,066)	9
<b>Free cash flow</b>	<b>(1,336)</b>	<b>333</b>

- **High contribution of operating profit**
- **Positive evolution of working capital**
  - Several large down-payments
  - Volatility on short period
- **Phasing of both capex and legacy cash-out**

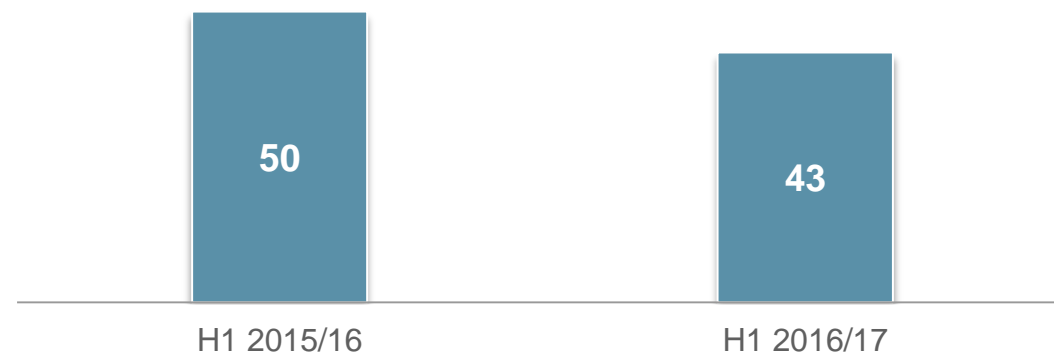
\*includes free cash flow from discontinued operations

# Capex developments

- Control of recurring capex
- Slow ramp up of transformation capex



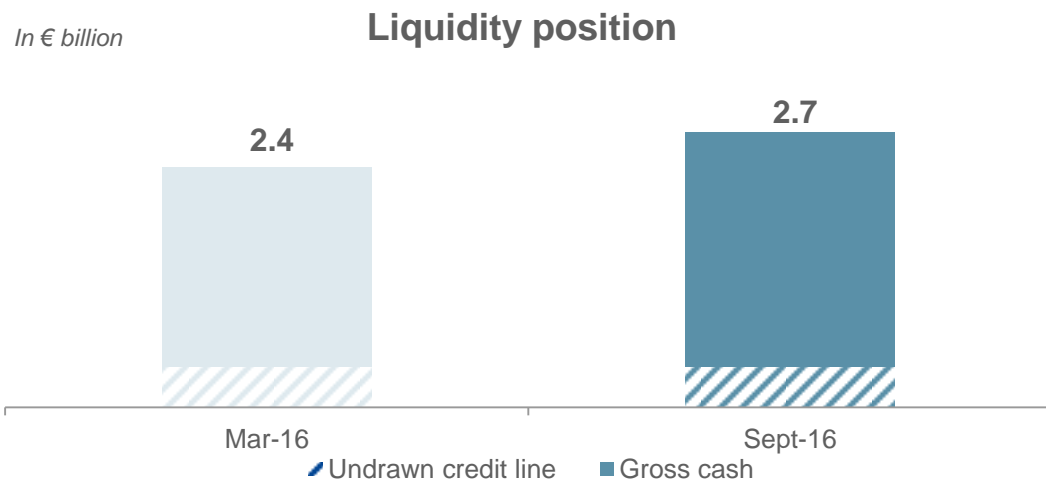
Capex\* (in € million)



\* excluding capitalised development costs

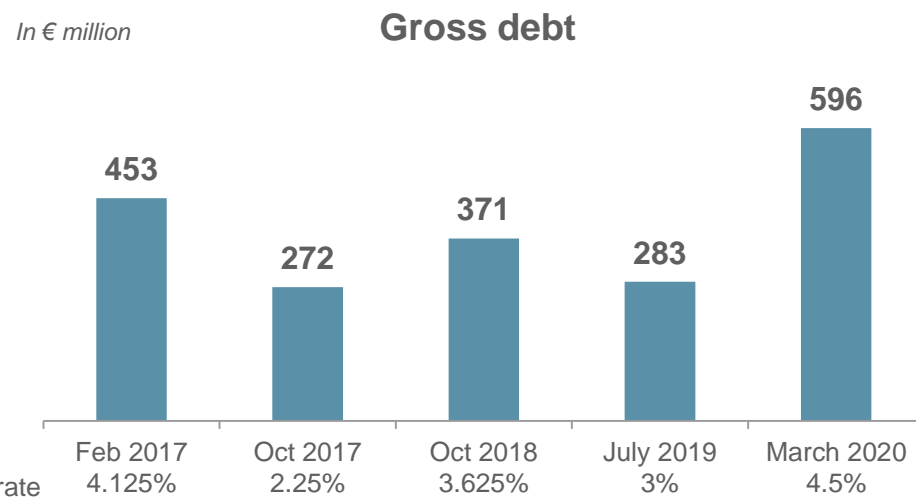
New sites to meet customers' growing demand for a local presence  
c. €300m transformation capex expected over next 3 years

# Liquidity and gross debt



## Liquidity

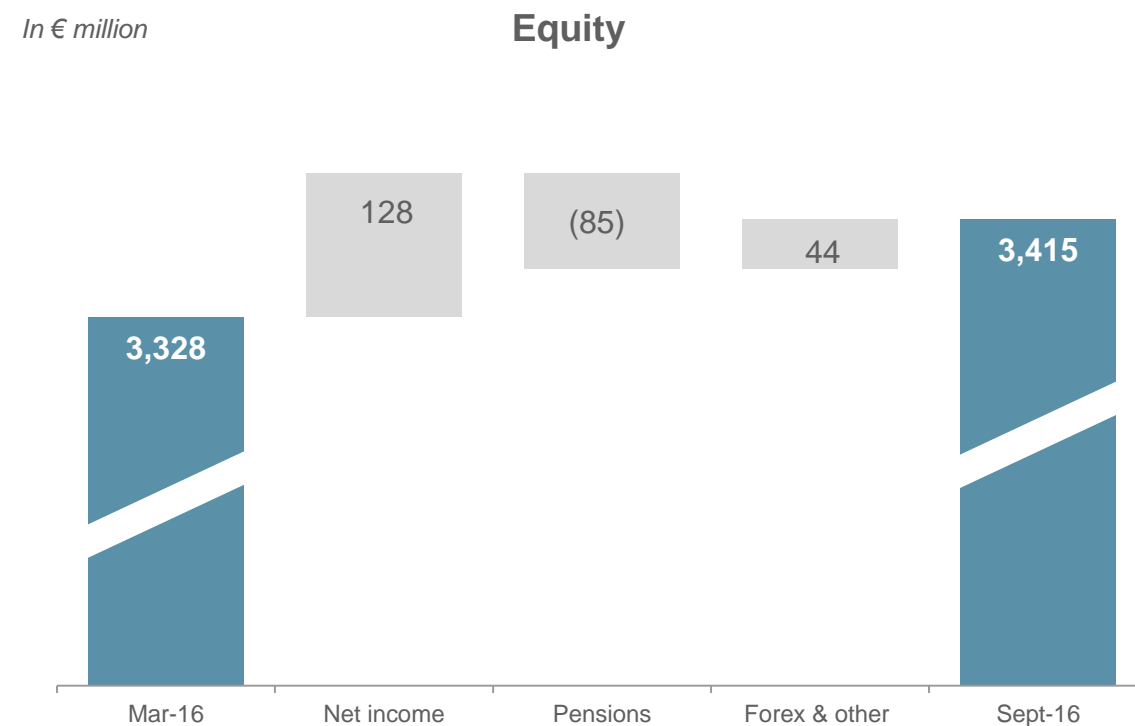
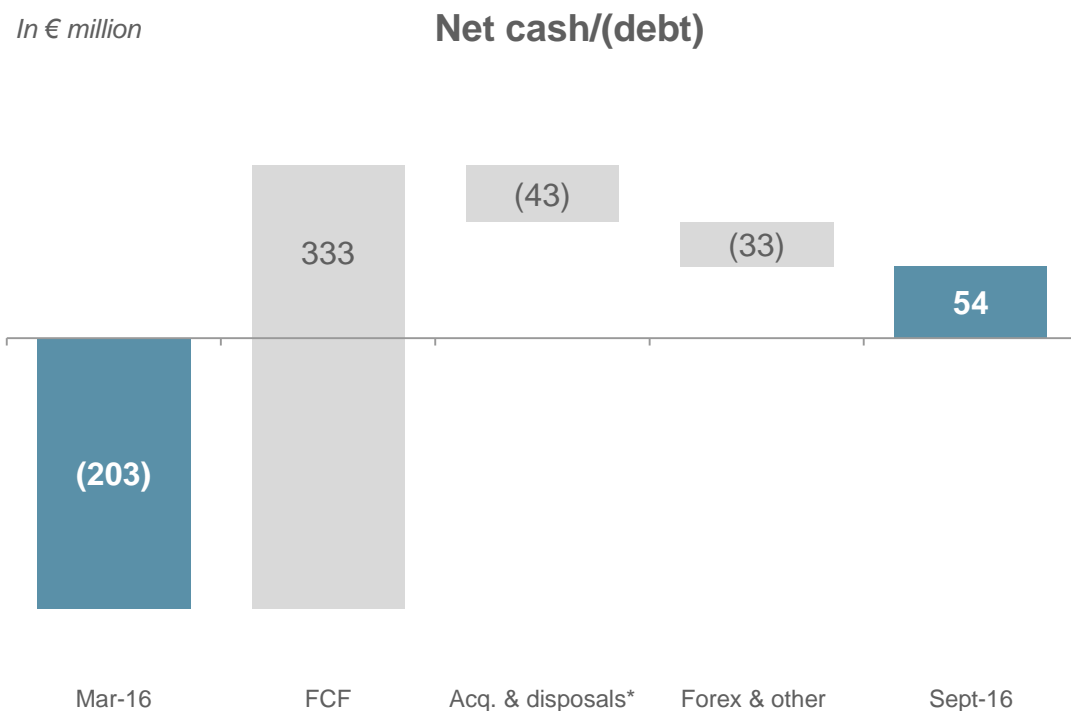
- €2.3bn cash and cash equivalents as of 30 September 2016
- €400m revolving credit facility ; fully undrawn
- Flexibility with Energy JVs put options



## Gross debt

- €2bn outstanding bonds as of 30 September 2016
- Next maturity in February 2017 (c.€0.5bn)

# Net cash & equity



\* includes GE related separation impact (e.g. IS&T)

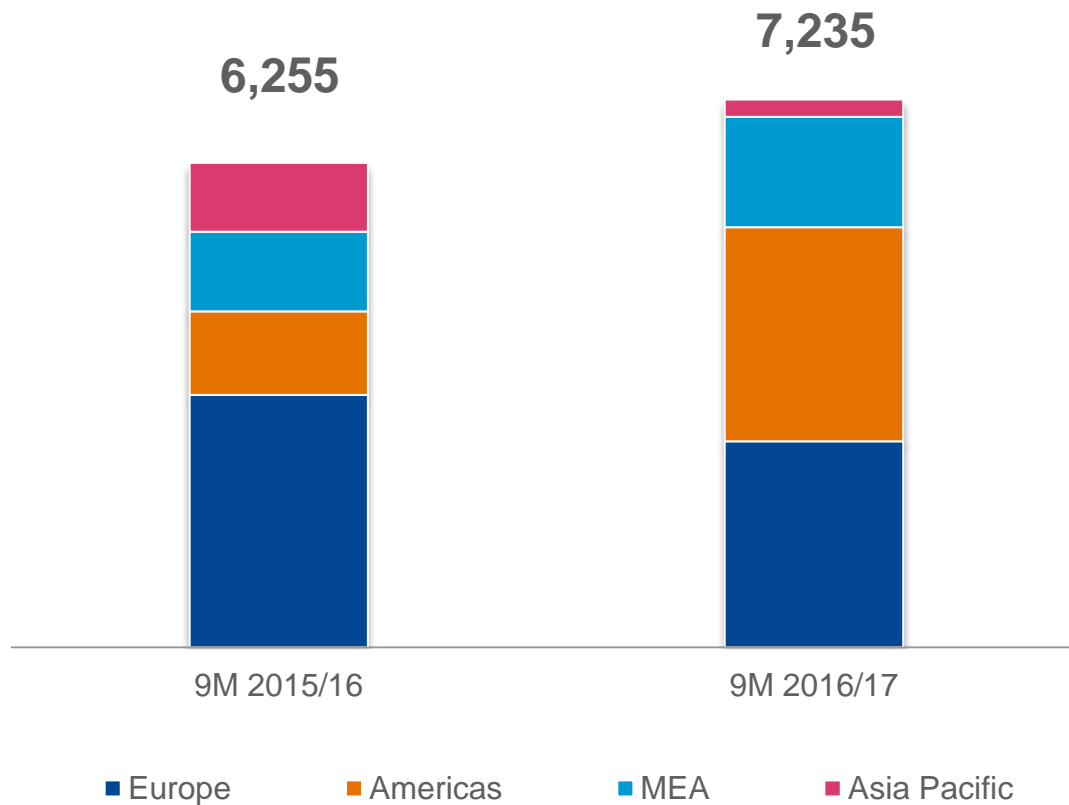
# Appendices

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- ① Alstom H1 2016/17
- ② **Alstom 9M 2016/17**
- ③ Alstom 2020 strategy
- ④ Alstom 2020 objectives

# 9M 2016/17 Orders

**Orders by region**  
(in € million)

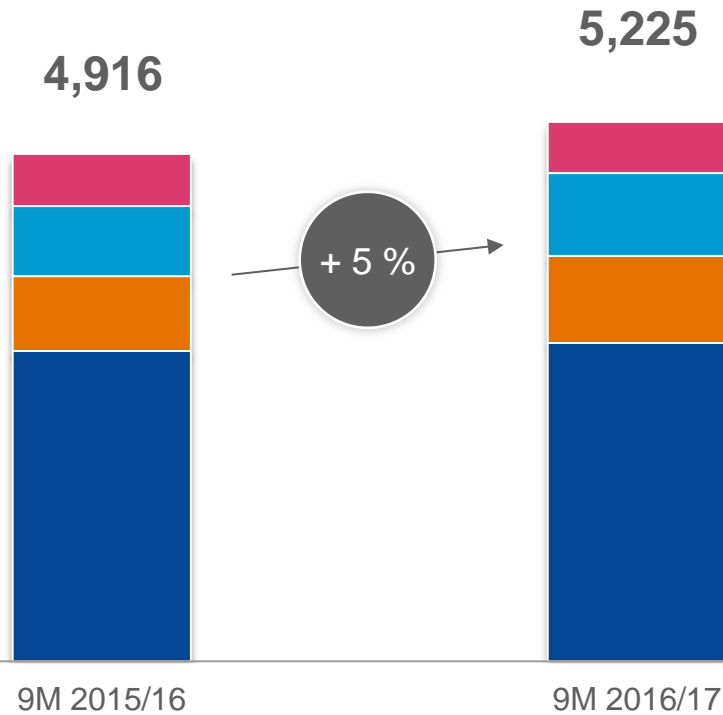


**Orders by products**  
(in € million)

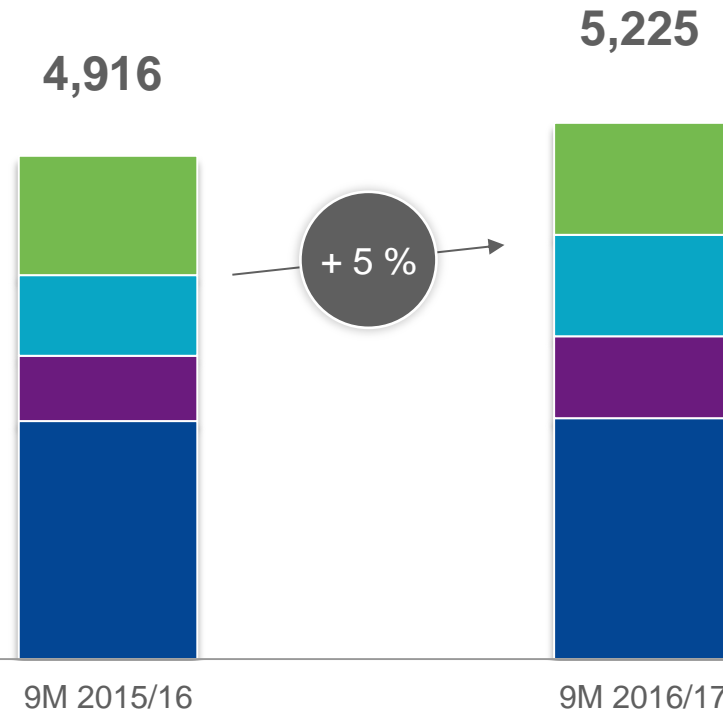


# 9M 2016/17 Sales

**Sales by region**  
(in € million)



**Sales by product**  
(in € million)



+ 5 %

% organic growth

+ 5 %

■ Europe   ■ Americas   ■ MEA   ■ Asia Pacific

■ Trains   ■ Systems   ■ Signalling   ■ Services



# Appendices

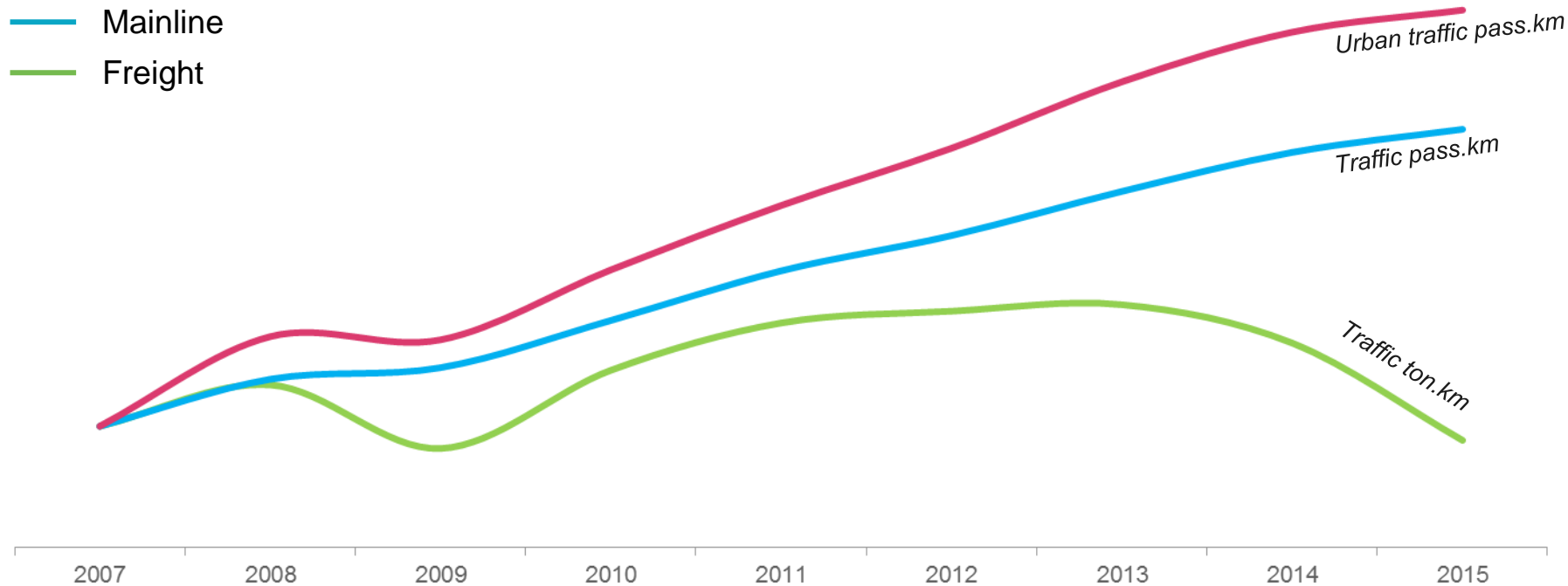
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- 1 Alstom H1 2016/17
- 2 Alstom 9M 2016/17
- 3 Alstom 2020 strategy**
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# Railway traffic evolution

## Worldwide traffic evolution from 2007 to 2015<sup>1</sup>

- Urban
- Mainline
- Freight



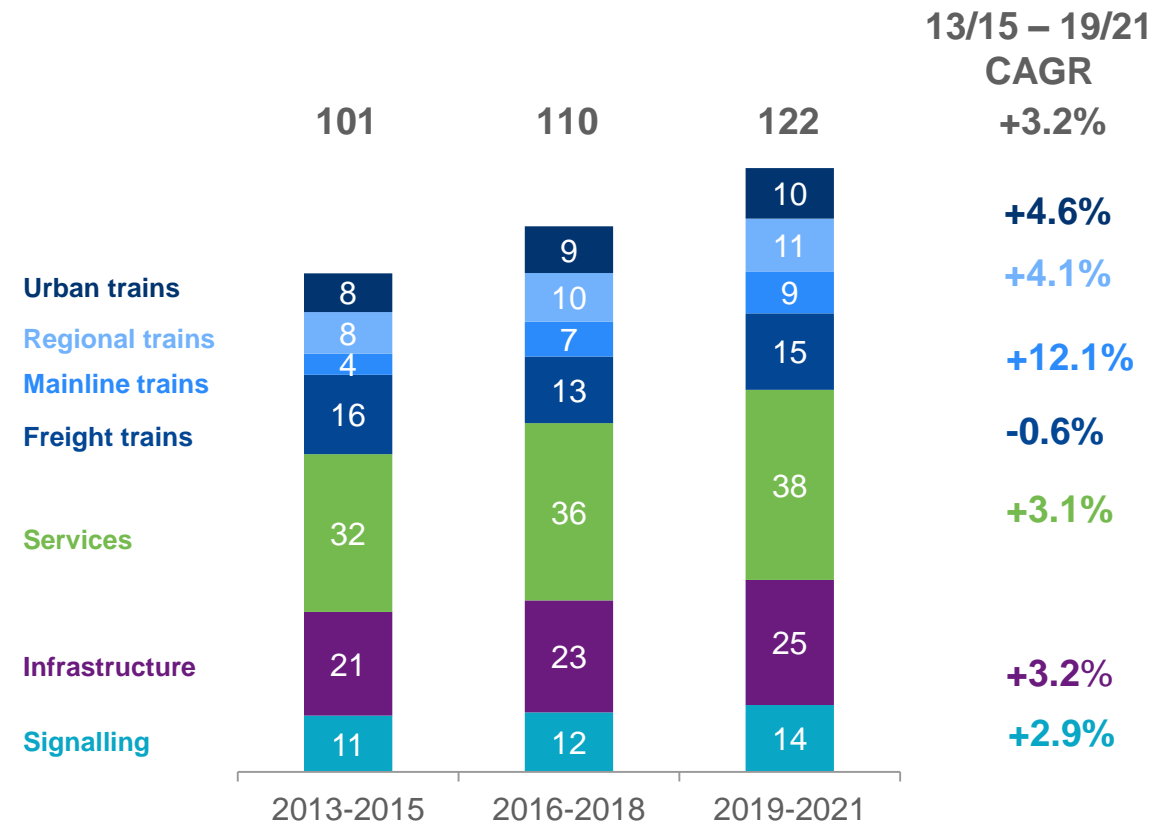
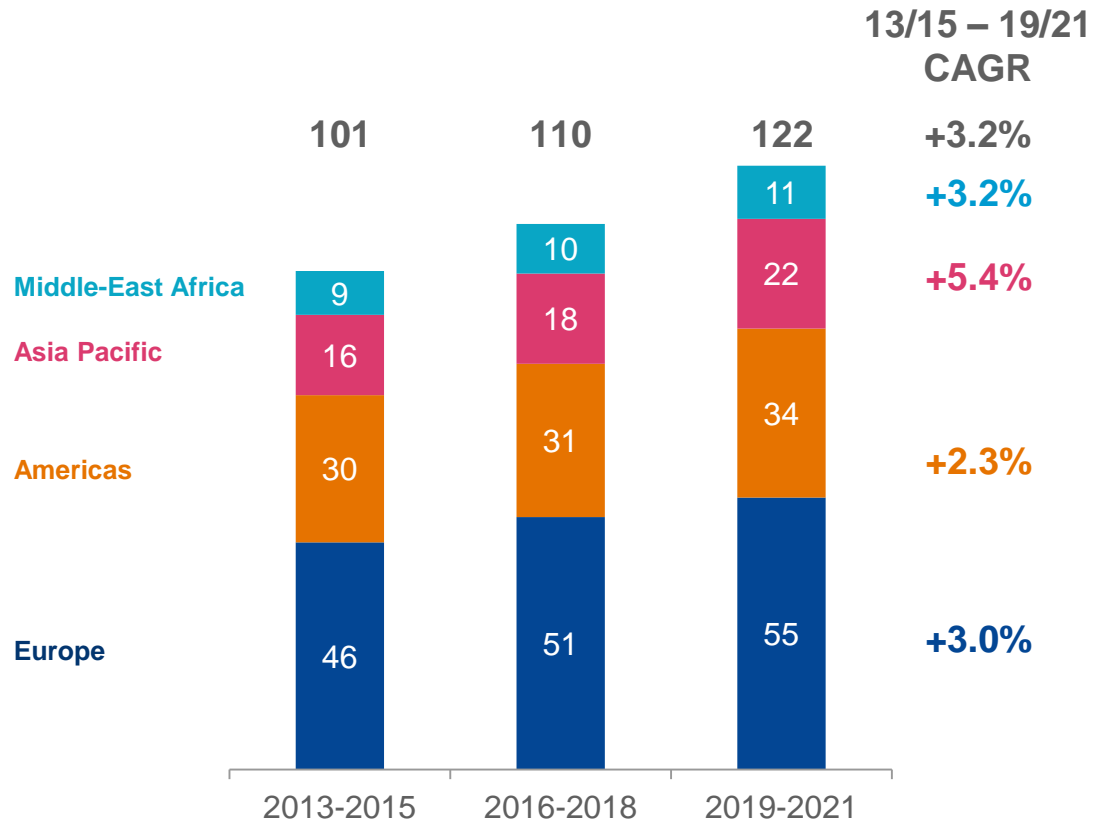
	Growth vs LY	Average growth (2007–2015)
Urban traffic pass.km	+1.8%	+5.3%
Traffic pass.km	+1.6%	+4.0%
Traffic ton.km	-10.9%	-0.2%

Passenger traffic for urban & mainline keeps growing, but freight is strongly decreasing

<sup>1</sup> Urban traffic figures are for Top 30 cities worldwide; mainline & freight traffic figures are for all major national operators worldwide.

# Market forecast

## Average annual accessible market (€bn)



Significant growth in all geographical regions confirmed by latest market study

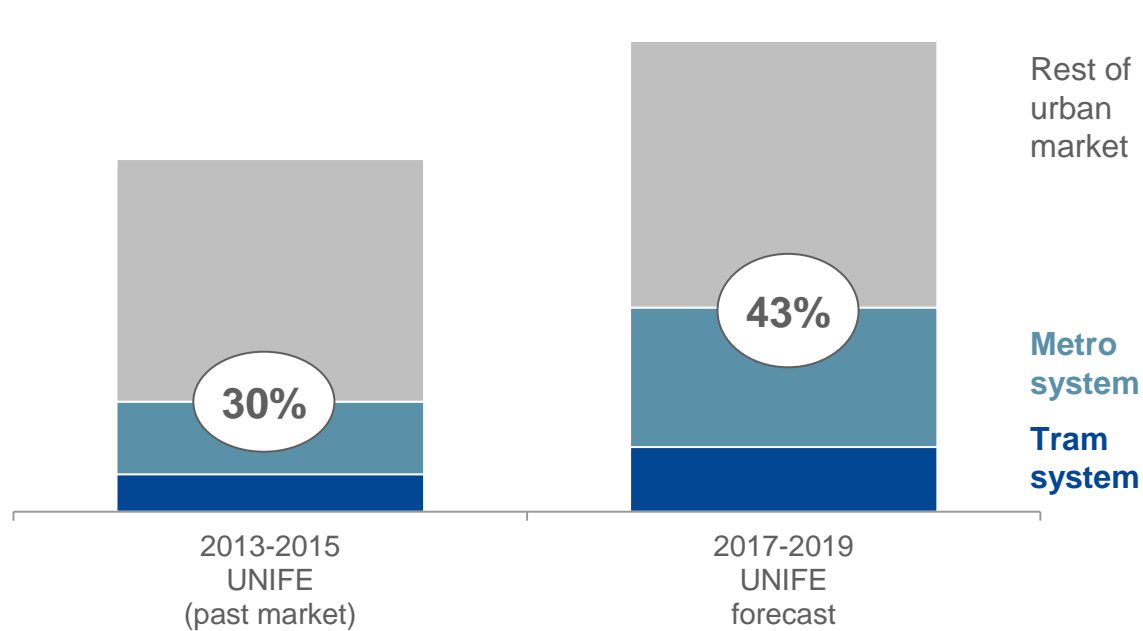
Source: UNIFE Market Study 2016

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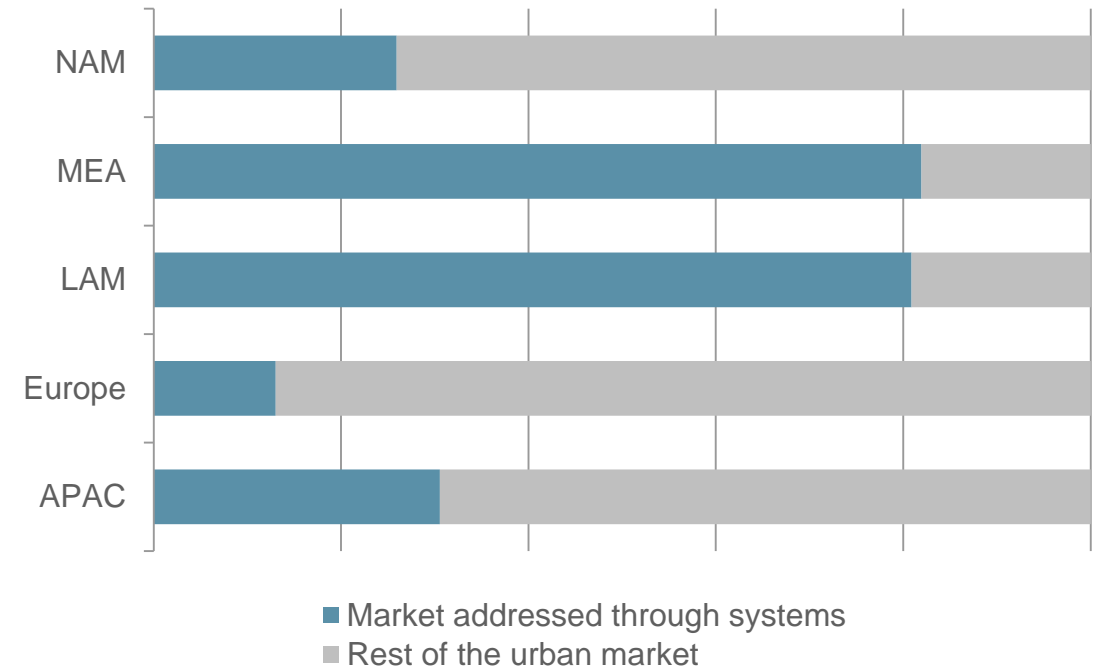
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# Share of systems within the urban market

**System market within urban market**  
*Annual average*



**Share of urban market addressed through systems**  
*2017-2019*



**Systems continue to grow up to ~40% of the urban market, especially in MEA, LAM and APAC**

Source: Alstom estimation, UNIFE Market Study 2016

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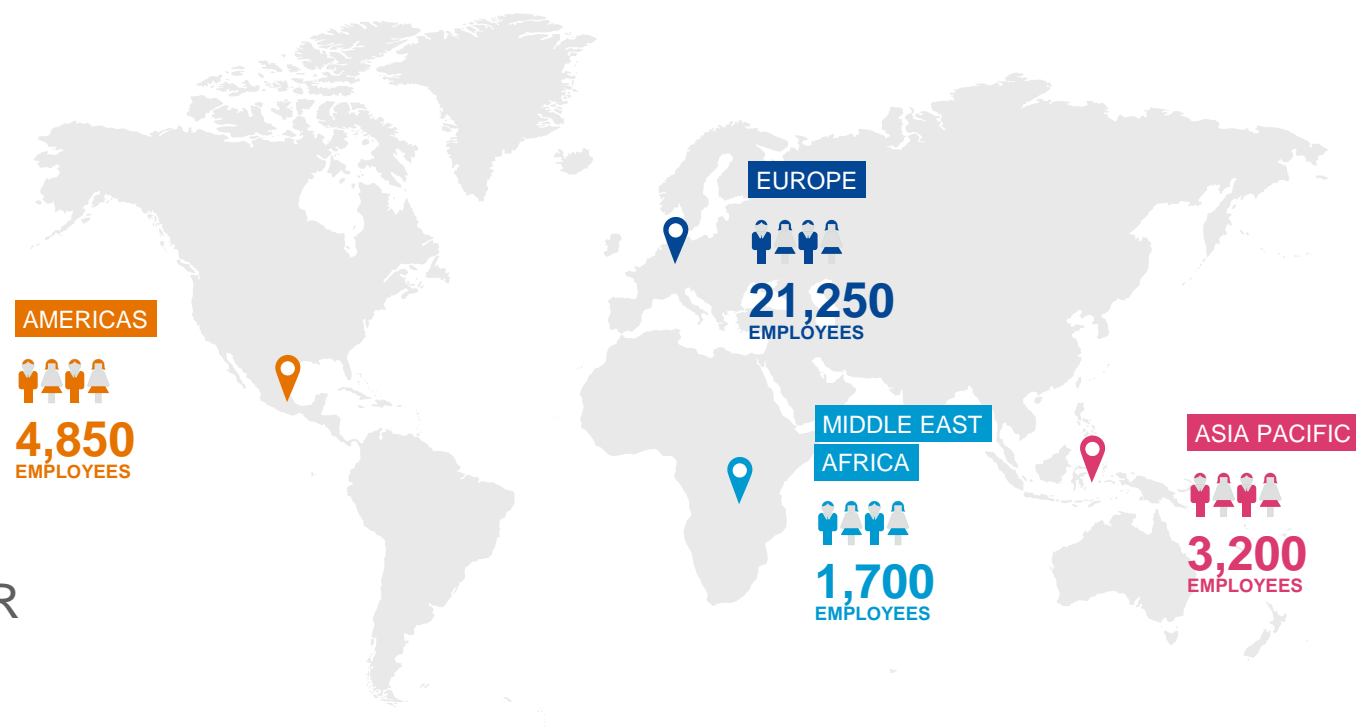
# An ambitious strategy for 2020



# 1 Customer-focused organisation and multi-local presence

## ■ 31,000 employees working on 105 sites in 60 countries serving 200 customers

- **Regions:** close to customers, in charge of execution
- **Operational functions:** global cohesion, processes and platforms
- **Support functions:** finance, legal, HR global efficiency



Being a reference player in each region

# 1 Strategic acquisitions and partnerships

2010

- Russia - TMH (trains)
- Kazakhstan - EKZ (locos)

2011

- Algeria - CITAL (trams)
- France - Metrolab (R&D)
- Morocco – Cabliance (cabling)

2012

- France - NTL (trams)

2013

- South Africa - Gibela (suburban trains)
- Kazakhstan - KEP (signalling)

2014

- Kazakhstan - EKZ (locos) - 25 % additional shares

2015

- UK - SSL (signalling)\*
- India - Madhepura (locos)
- Sweden – Motala Train AB (services)\*
- Russia - TMH (trains) - 8 % additional shares
- Worldwide - General Electric signalling\*
- France - SpeedInnov (trains)

2016

- South Africa - Ubunye (modernisation)
- Morocco – Cabliance (cabling)\*



\* Acquisitions

Solid, efficient and well-established network of partners

# 1 Case study: Prasa project

## ■ Scope

- Design, manufacture and supply 600 trains for South Africa fleet renewal
- Parts supply & technical support for 19 years
- Gibela Joint Venture led by Alstom (61%), local factory, 65% average local content

## ■ Status

- First train delivered from Brazil end 2015
- Local factory construction started in March 2016
- First train to be manufactured in South Africa end 2017/18



Largest contract ever in Alstom history (c. €4bn), well on its way



# 1 Case study: eLoco project in India

## ■ Scope

- 800 electric locomotives
- Associated maintenance: 13 years for the first 250 locos and 4 years for the following 250
- €200m investment incl. set up of manufacturing plant and two depots
- JV with Indian Railways (74%/26%)

## ■ Status

- Contract signed in November 2015 with Indian Railways
- Booking in Q4 2015/16
- Deliveries expected between 2018 and 2029



€3.2bn contract for 800 electric locomotives and maintenance

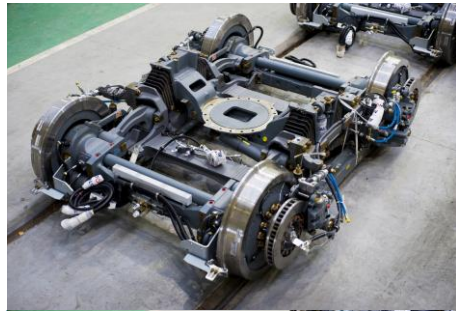
# 1 Case study: NTV in Italy

- Options of previous contract signed in October 2015
- 4 Pendolino trains and related maintenance services
- Extension of maintenance services for NTV's entire fleet from 20 to 30 years
- Delivery scheduled end 2017 and ready to enter into service in 2018



NTV's renewed confidence in Alstom expertise

## 2 A complete range of solutions



Bogie  
for Citadis

COMPONENTS



Coradia Nordic  
in Sweden

INDIVIDUAL  
SOLUTION



Sydney metro  
& signalling

BUNDLED OFFER  
BETWEEN  
2 SOLUTIONS



Tramway integrated system  
for Lusail

FULLY  
INTEGRATED SYSTEM

INCREASING DEMAND FOR INTEGRATION

Systems, Signalling and Services to represent around 60% of sales by 2020

## ② Case study: a fully integrated metro system in Dubai for Expo 2020 link

- Alstom, leader of ExpoLink consortium
- 50 Metropolis trainsets and electromechanical works
- New route extends 15 km and serves Expo 2020
- Delivery of the system before 2020



Dubai: Expo 2020 metro station

A fully integrated metro project for Alstom, with a non-negotiable deadline

## 2 Case study: Dubai tramway system

### ■ Scope

- Fully integrated tramway solution incl. trains, signalling, infrastructure and 13 years maintenance contract

### ■ Status: already a success

- Availability and punctuality above 99.5%
- Robust operation under heavy rain and sand storm
- Up to 30,000 passengers / day at peak



Customer: Roads and Transport Authority  
Phase 1 (done): 11 km and 11 stops

A fully integrated world premiere

## 2 Case study: Riyadh lines 4,5 & 6 metro system

### ■ Scope

- 69 driverless Metropolis trains
- Signalling system
- Infrastructure: third rail and track, using Appitrack and power supply incl. Hesop substations

### ■ Status

- Train production started in Katowice in Nov. 2015



First driverless metro in Saudi Arabia and biggest contract ever for an urban system project (€1.2bn)

### 3 Staying a step ahead

1

Boost technical innovation to increase differentiation



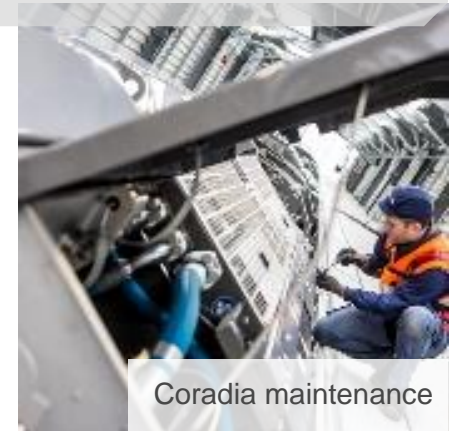
2

Invest in competitiveness-oriented technology



3

Optimise customers' total cost of ownership



An R&D strategy focused on differentiation and competitiveness  
Sustain R&D expenses and reach 30% of total orders coming from newly developed products by 2020

### 3 Main innovative programmes

#### TRAINS



#### Complete renewal of the ranges:

- Citadis Spirit, Citadis X05
- New range of standard metro
- Avelia range
- Coradia iLint
- Silicon carbide (SiC)



#### SERVICES



- HealthHub
- Predictive maintenance



#### SIGNALLING



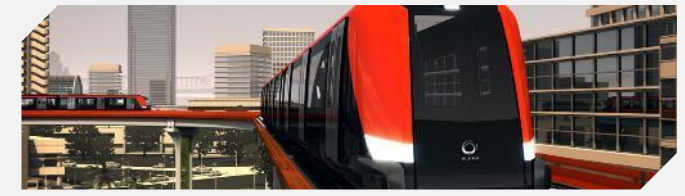
- Atlas, main lines ERTMS
- Urbalis, CBTC
- ATO, geolocalisation, 4G



#### SYSTEMS



- Axonis metro system
- Attractis tramway system
- Hesop, reversible power-supply substation

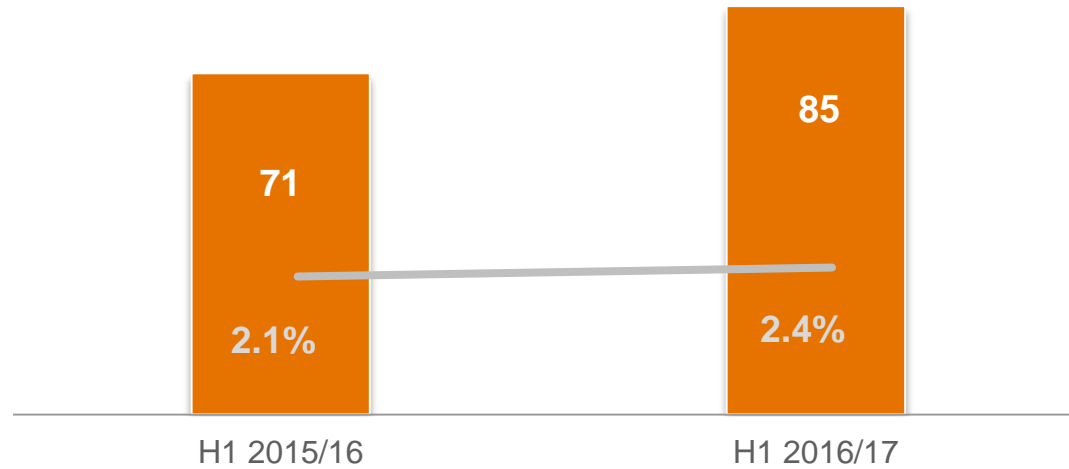




### 3 Sustained level of R&D

R&D\* (in € million)

— As % of sales



\* R&D including externally-funded programmes, excluding capitalisation and amortisation

### Main R&D programmes

- Renewal of mainline and urban train ranges
- Signalling programmes
- Predictive maintenance

### 3 Case study: High speed train contract with Amtrak - US

- 28 **Avelia Liberty trains**, new generation of Alstom very high speed trains
- Optimised maintenance costs
- Improved energy management
- Enhanced comfort for passengers
- A **€1.8bn contract**: deliveries expected to start in 2021



A new generation of train with high level of innovation for both passenger and operator

### 3 Case study: Nice tramway project

€91m project

Awarded in October 2015

#### Scope

- 19 Citadis X05 tramway
- SRS, Static Recharge System
- Citadis Ecopack



Latest generation of tramway for the city of Nice

## 4 Operational excellence

### ■ Competitive offering

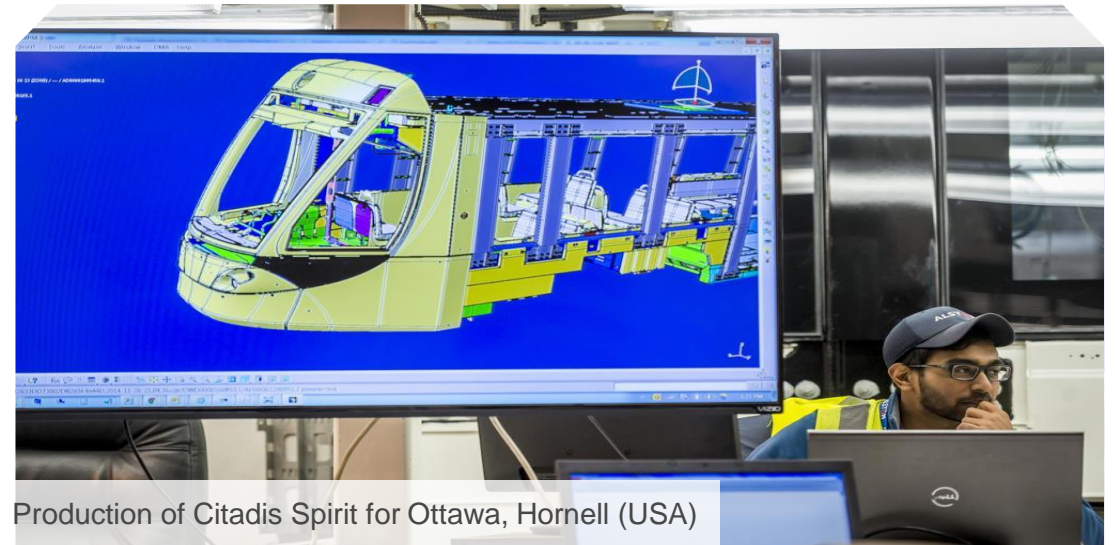
- Sourcing
- Global footprint

### ■ Excellence in delivery

- Global business transformation underway
- Strong project management skills
- Flawless execution

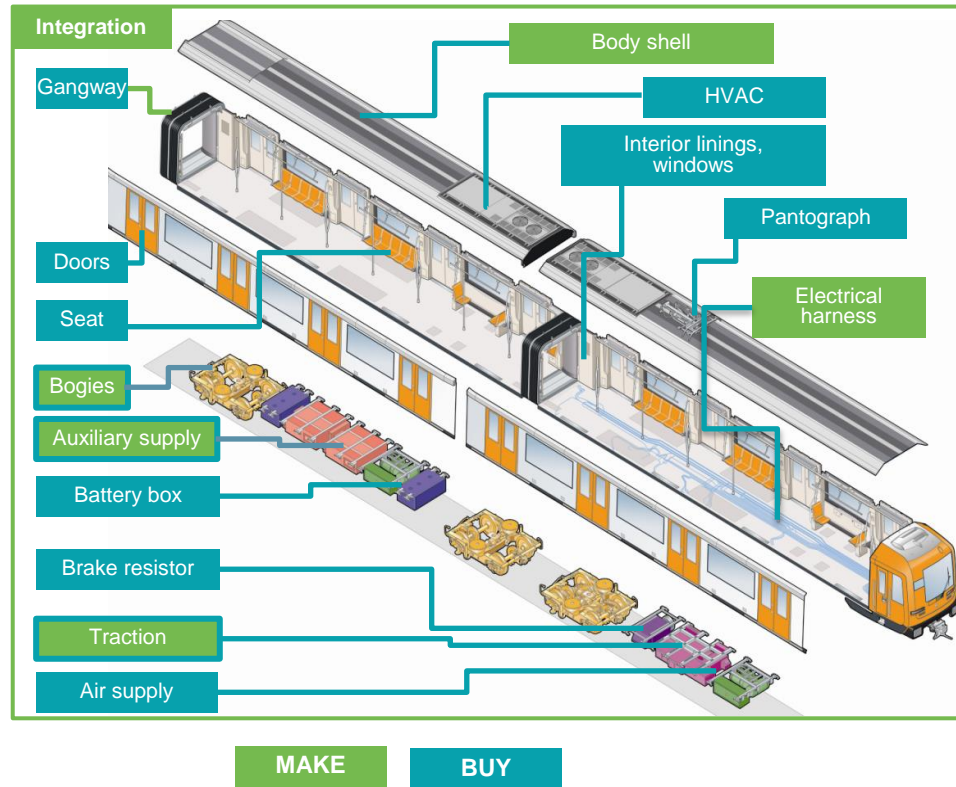
### ■ A digitalisation plan to create an agile and effective information system

### ■ Cash focus programme



To remain competitive while supporting margin improvement

## 4 Competitive offering: Sourcing contribution (1/2)



### ■ 60% of Alstom products cost are purchased

- c.€4bn external supplies

### ■ Partnership

- 90 global partners (50% of the spend), able to follow Alstom worldwide
- 750 suppliers covering 80% of the spend

• Sourcing, a key cost reduction driver

## 4 Competitive offering: Sourcing contribution (2/2)

### ■ Volume

- **Bundle approach:** different products under one negotiation
- **Total cost of ownership:** improve full product life cycle cost under one negotiation and protect our margin on after sales

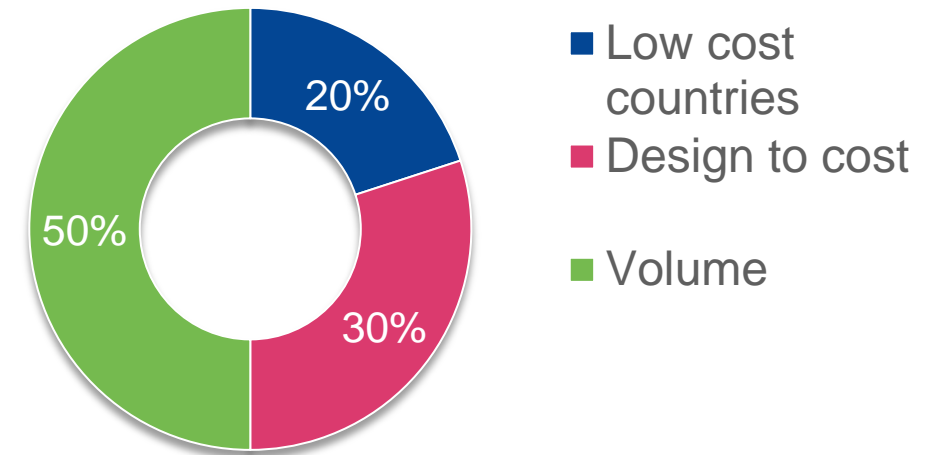
### ■ Design to cost

- **Catalogue approach:** on sub-systems: HVAC, doors, etc.

### ■ Low cost countries

- Steady increase of sourcing volume in **India**

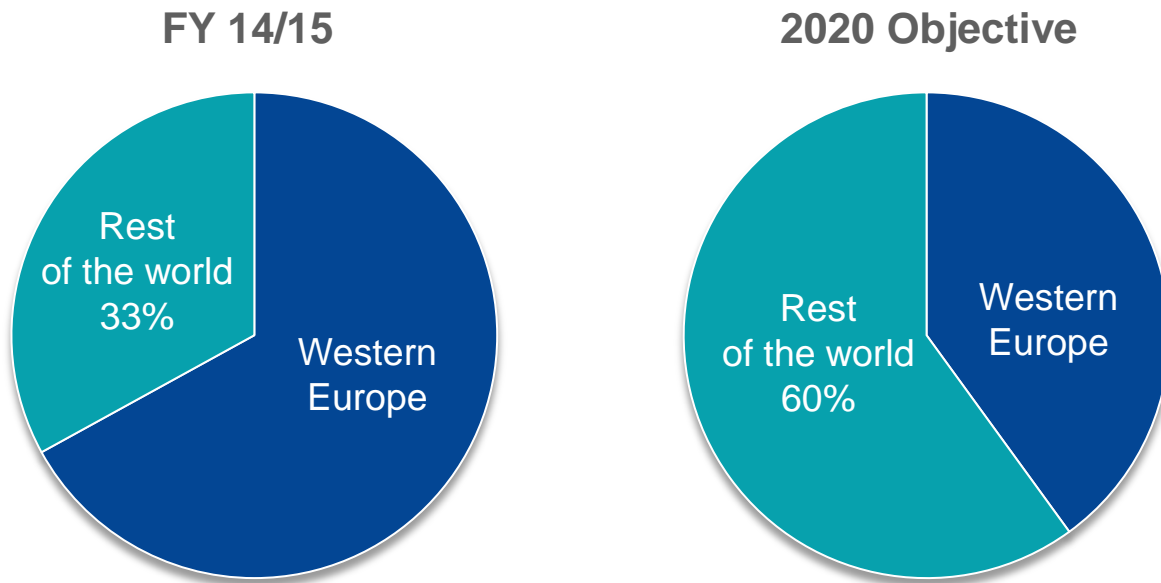
### Savings per lever



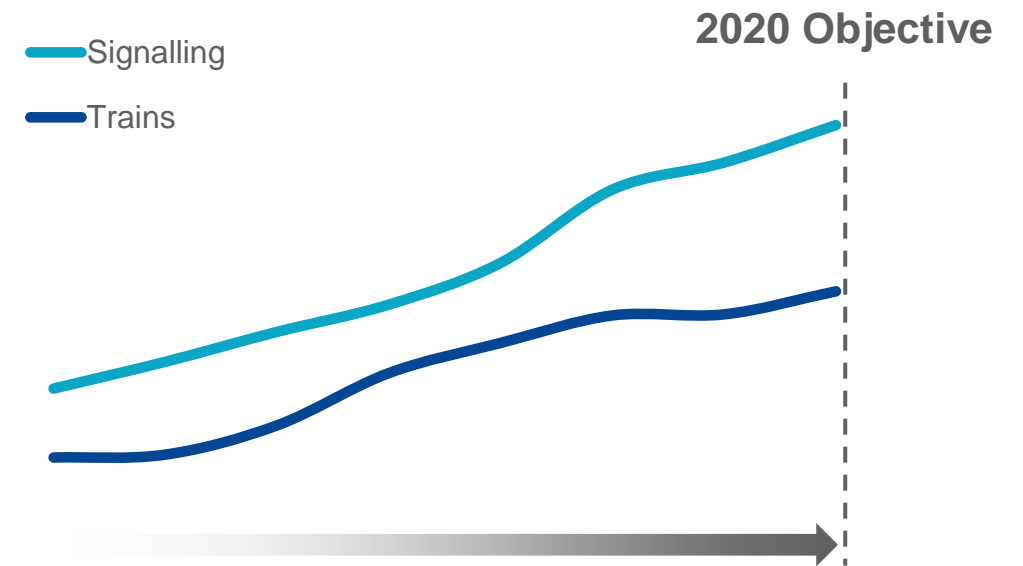
- Objective to increase sourcing savings to €250m /year (cost to complete)

## 4 Competitive offering: Global footprint

### Worldwide trains manufacturing



### Bangalore (India) engineering center ramp up



- Rapid growth of global manufacturing and engineering capabilities
- Adaptation to workload in Europe

## 4 Competitive offering: update as end Sept. 2016

### Sourcing

#### ■ Alstom Alliance

- Premium partnerships with strategic suppliers to support geographical expansion, share innovations and mutualise development of key components
- Quality, cost-effective and reliable solutions
- Total of 34 members with 10 new ones during Innotrans fair

#### ■ Global sourcing

- Increase of India sourcing volume
- Above one third purchased in low cost countries

### Global footprint

#### ■ India ramp-up

- 2,300 people as end of September 2016

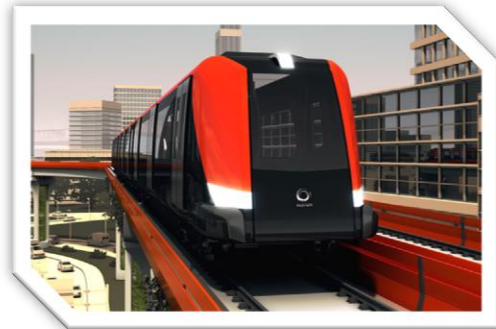




## 4 Optimised train product ranges: a platform approach

- Optimised costs
- Improved modularity and design
- Better energy efficiency

### Urban



Metropolis



Citadis

### Mainline



Coradia



Avelia

## 4 First successes for our new generation of Coradia trains



### 79 Intercity trains for the Netherlands operator

- €0.8 billion
- First deliveries by 2020



### 150 regional trains for Trenitalia with first order of 47 trains

- €0.9 billion for the frame contract
- First deliveries by early 2019

Optimised layout, weight, modularity and cost

## 4 Excellence in delivery

### ■ New tools deployment started

- Alstom integrated information system massive roll-out launched (10 countries deployed in 15/16)
- APSYS, lean manufacturing system extending to Engineering and Project Management
- New electrical organisation (NEO) in main sites in Europe



Manufacturing Excellence for Alstom Transport



Manufacturing execution system



New electrical organisation (NEO)

## 4 Excellence in delivery: Project management

### Key practices

- **Anticipation** before tendering
- Stringent **Go / No Go decision**
- Rigorous transfer from **tender to project** (tender transfer meeting)
- **Management involvement** (winning roadmap, monthly project review, global project review)

### Results

1. Intense activity
  - 20 tenders per month
  - 3 months average per tender
  - c.450 major contracts in execution
2. Hit rate: [30-40] %

Strong project management skills from tender to execution

## 4 Cash focus programme

### Main levers

#### ■ Terms and conditions

- Level of down payment now stabilised

#### ■ Design to cash actions such as:

- Planning of supplies
- Manufacturing lead-time
- Inventory management, ...

### Key practices

- Worldwide training (e.g. sales community)
- Upfront review of cash information, from the anticipation phase
- Regular meetings during project execution

### Example

- Time to market of new standard metro: 12 months (actual 15 months)

Strong management actions in place to optimise working capital

## 4 A responsible company

- Ecodesigned & environmental-friendly solutions
- Alstom sites showcase its commitment to safeguarding the environment
- A culture based on health & safety



*Since 2011, Alstom has been included in the Dow Jones Sustainability Indices (DJSI).*



State-of-the-art spray booths, Katowice site (Poland)



Villeurbanne site (France)

## 4 Environmental excellence

### ■ Improve our environmental footprint

- Continue our efforts on energy saving, waste and CO<sub>2</sub>
- ISO 14001 for all operational units with more than 200 people



ENERGY INTENSITY REDUCTION BY **10%**

### ■ Improve energy consumption for solution

- Better sizing and energy consumption measurement



ENERGY CONSUMPTION REDUCTION BY **20%**

### ■ Safety at work **ZERO DEVIATIONS** IN HIGH RISK ACTIVITIES

- Alstom Zero Deviation Plan
- Zero Severe Accidents on High Risk Activities



IFR1 AT **1 BY 2020**

## A culture based on diversity & entrepreneurship



- **Diversity** in terms of gender, generation, nationality, social and cultural background targeted:
  - 25% women in management or professional role by 2020
- **Training plans, development programmes...**



# The Alstom Foundation to support local communities

Support and financing for projects proposed by Alstom employees aimed at improving living conditions of communities local to where Alstom has a presence whilst **protecting the environment.**



# Sharing a common culture of ethics and values



- Ethics & Compliance (E&C)
  - **Certified procedures**
  - A **Code of Ethics** and an **Integrity Programme** applicable to each and every employee around the world



- Team, Trust and Action

# Organic growth boosted by selective acquisitions

- Small to mid-size acquisitions
- Support international expansion and strengthen leading positions
- 2015/16 acquisitions
  - GE Signalling
  - SSL, Signalling in UK
  - Motala Train AB, Services in Sweden

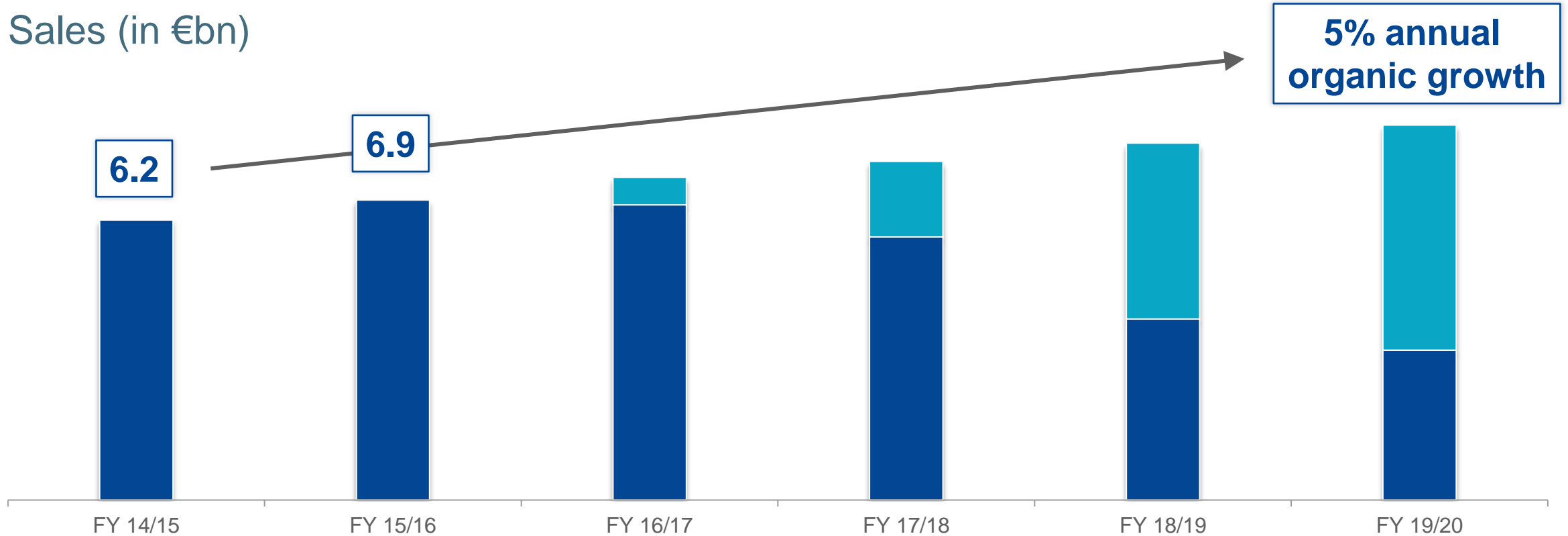


# Appendices

- 1 Alstom H1 2016/17
- 2 Alstom 9M 2016/17
- 3 Alstom 2020 strategy
- 4 **Alstom 2020 objectives**

# Sales evolution

Sales (in €bn)



Current backlog of c.€30bn\* providing strong visibility on future sales

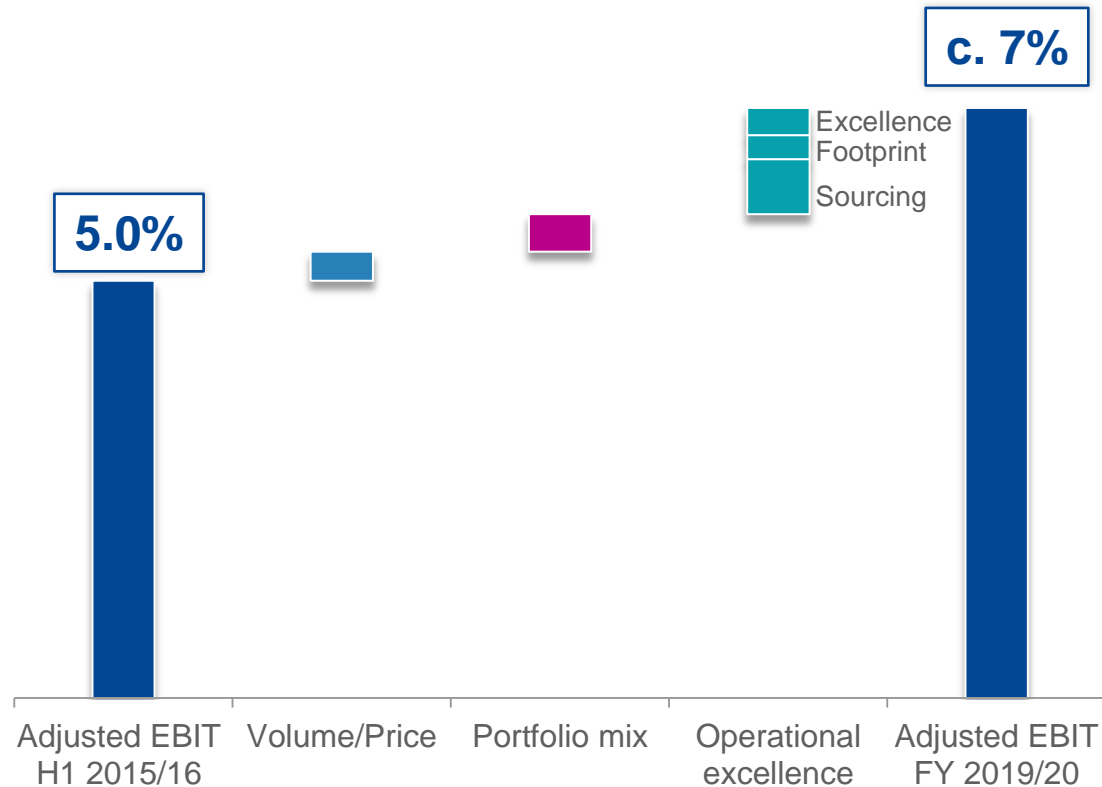
\*at 31 March 2016

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# Progressive margin improvement

Adjusted EBIT margin (in % of sales)



## Volume/Price

- Cost absorption driven by solid top-line growth
- Partly offset by price dynamics and competitive environment

## Portfolio mix

- Growth towards more profitable activities
- Services, signalling, systems to represent c. 60% of sales in 2020

## Operational excellence

- Sourcing savings
- Global footprint
- Excellence in delivery with solid project execution

Adjusted EBIT margin to reach around 7% in 2020

# Cash conversion objective



c. 100% FCF/net income conversion in 2020



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*Designing fluidity*