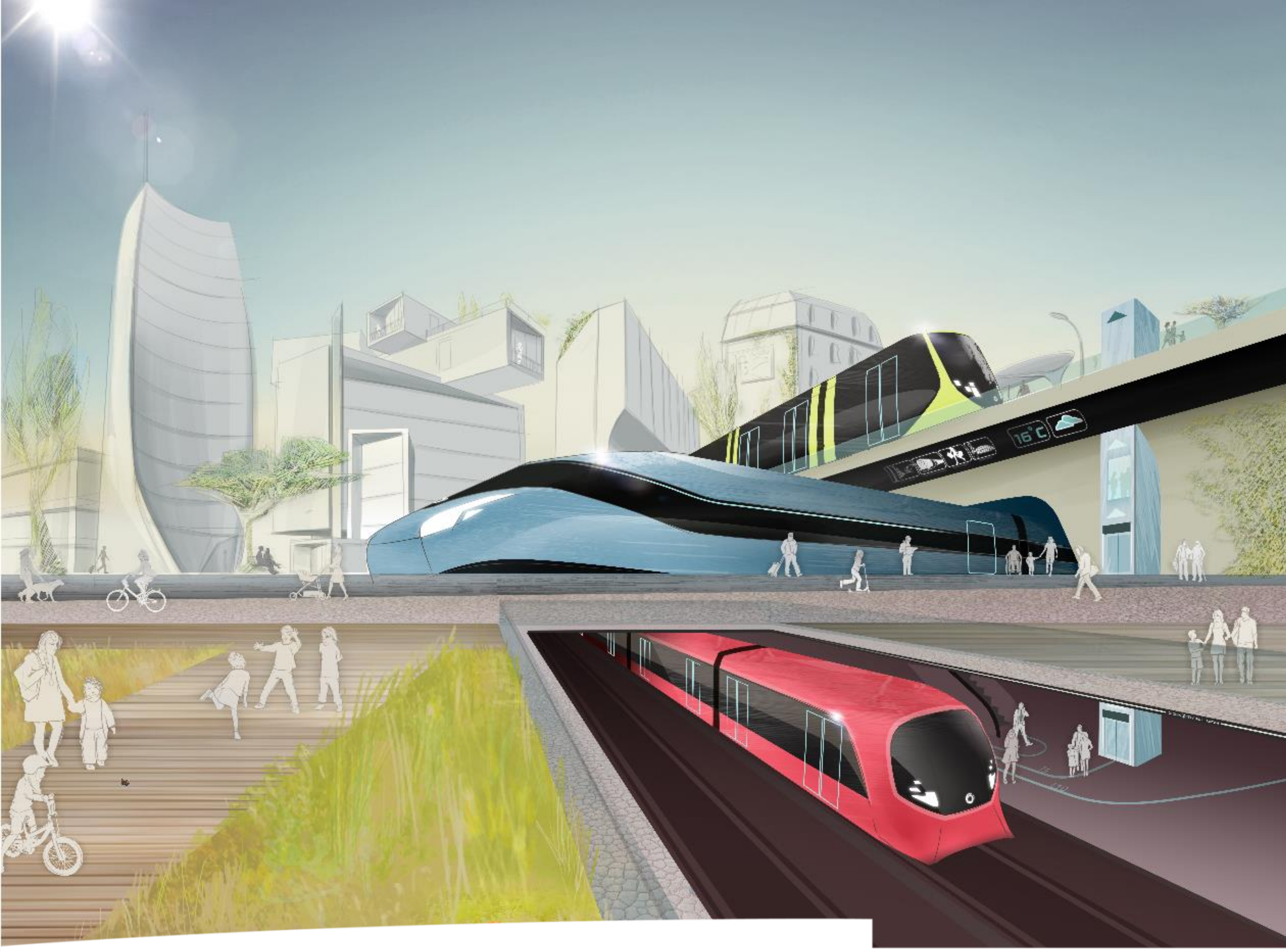

Half-year financial report

As of 30 September 2016

ALSTOM
Designing fluidity

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

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**Management report on condensed interim consolidated financial statements,
Half-year ended 30 September 2016**

ALSTOM

MANAGEMENT REPORT

ON CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
HALF YEAR ENDED 30 SEPTEMBER 2016

The following half-year report shall be read in conjunction with the condensed interim consolidated financial statements for the half-year ended 30 September 2016 and the Company's Registration Document for fiscal year 2015/16 filed with the French Autorité des Marchés Financiers on 31 May 2016.

1. Main events of half year ended 30 September 2016

1.1. Strong commercial and operational performance, growing adjusted EBIT margin and positive FCF

The following table sets out the Group's key performance indicators for the half-year 2016/17.

	Half-year ended		% Variation Sept. 16/ Sept. 15	
(in € million)	30 September 2016	30 September 2015	Actual	Organic
Order Backlog	33,570	27,719	21%	22%
Orders Received	6,212	3,897	59%	66%
Sales	3,570	3,303	8%	7%
aEBIT	200	167	20%	
aEBIT %	*5.6%*	*5.1%*		
EBIT *	168	124		
Net Profit - Group share	128	(57)		
Free Cash Flow	333	(1,336)		
Capital Employed	3,740	1,172		
Net Cash/(Debt)	54	(4,803)		

* includes mainly the reclassification of separation costs in connection with the disposal of discontinued activities from other non-recurring income / (expense) to net profit from discontinued activities for an amount of €(23) million at 30 September 2015.

1.2. Organic growth

Figures presented above 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.

To prepare figures on an organic basis, the figures presented on an actual basis are adjusted as follows:

	Half-year ended 30 September 2016			Half-year ended 30 September 2015				Sept. 16/ Sept. 15	
(in € million)	Actual figures	Scope Impact	Comparable Figures	Actual figures	Exchange rate	Scope impact	Comparable Figures	% Var Act.	% Var Org.
Orders backlog	33,570	(351)	33,219	27,719	(384)	-	27,335	21%	22%
Orders Received	6,212	(89)	6,123	3,897	(219)	-	3,678	59%	66%
Sales	3,570	(149)	3,421	3,303	(97)	-	3,206	8%	7%

– the actual figures for the first half of fiscal year 2015/16 (orders backlog, orders received and sales) are restated taking into account the exchange rates used for the first half of 2016/17. Organic growth on orders received was

notably impacted by the depreciation of the Kazakhstani Tenge (KZT), the Indian Rupee (INR) and the Mexican Peso (MXN) against Euro. Sales recorded were impacted by an adverse foreign exchange translation impact compare to last year notably due to the depreciation of the British Pound (GBP) and the South African Rand (ZAR) against the Euro.
The British vote in favour of leaving European Union does not have significant economic consequences on the Group.

- in order to reflect the same scope of activity, actual figures for the first half of fiscal year 2016/17 are adjusted from acquisitions made in the first half of fiscal year 2016/17 or during fiscal year 2015/16. This notably includes the acquisition of GE Signalling and the purchase of an additional 50% stake in Signalling Solutions Ltd (SSL).

1.3. Acquisitions and Partnerships

In line with the first pillar of its 2020 Strategy, Alstom reinforced its local network with several acquisitions and partnerships during the first half of fiscal year 2016/17.

In South Africa, the Group completed the acquisition of CTLE shares (Commuter Transport & Locomotive Engineering), reinforcing its local presence in the country. Alstom also launched the integration of Alstom Ubunye, the newly created company that employed c. 400 employees, in order to develop its local competencies and to expand its activities to provide infrastructure, signalling, trains and components, as well as services to better respond to South Africa's railway transport needs.

In Algeria, CITAL, a joint-venture owned by Alstom, Ferrovial and EMA (Entreprise du Métro d'Alger), inaugurated a new site in Annaba and announced the prolongation of the Memorandum of Understanding (MOU) signed in December 2014. This MOU allowed the extension of CITAL's activity to the engineering, manufacturing and maintenance of Alstom CITADIS™ tramways for Algeria.

In Morocco, Alstom became the exclusive owner of Cabliance, after sharing the ownership with Nexans for 5 years. With 250 employees and a turnover of €13.7 million in 2015, the company is specialized in the production of cable bundles for rail applications and electrical switchboxes. The acquisition of the Nexans' shares contributed to the development of Alstom's presence in Morocco and by extension in its new developing markets in Sub-Saharan Africa.

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.

3. Commercial performance

During the first half of fiscal year 2016/17, Alstom recorded €6.2 billion of orders received, an increase of 66% versus last year on a comparable basis. This significant growth was notably driven by two majors contracts signed in the United States of America with Amtrak for the supply of new high-speed trains and associated maintenance for a total amount of €1.8 billion. Moreover, in the United Arab Emirates, Alstom recorded the signature of a contract with the Roads & Transport Authority (RTA) in anticipation of the 2020 World EXPO in Dubai.

Geographic breakdown	Half-year ended				% Variation Sept. 16/ Sept. 15	
Actual figures *(in € million)*	**30 September 2016**	% of contrib	**30 September 2015 ***	% of contrib	**Actual**	**Org.**
Europe	2,124	35%	1,417	36%	50%	51%
Americas	2,570	41%	834	21%	208%	211%
Asia/Pacific	267	4%	602	16%	(56%)	(55%)
Middle East/Africa	1,251	20%	1,044	27%	20%	40%
ORDERS BY DESTINATION	**6,212**	**100%**	**3,897**	**100%**	**59%**	**66%**

* In comparison with HY 2015/16 financial statements, Kazakhstan and Azerbaijan were represented and moved from Europe region to Middle East/Africa.

Product breakdown	Half-year ended				% Variation Sept. 16/ Sept. 15	
Actual figures *(in € million)*	**30 September 2016**	% of contrib	**30 September 2015**	% of contrib	**Actual**	**Org.**
Trains	2,971	48%	1,643	42%	81%	82%
Services	1,596	26%	780	20%	105%	161%
Systems	1,268	20%	524	14%	142%	151%
Signalling	377	6%	949	24%	(60%)	(69%)
Other	0	0%	1	0%	NA	NA
ORDERS BY DESTINATION	**6,212**	**100%**	**3,897**	**100%**	**59%**	**66%**

In Europe, orders received reached €2.1 billion during the first half of fiscal year 2016/17, an increase of 51% versus last year on an organic basis. This growth was mainly driven by two large contracts signed in the Netherlands and in Italy to supply intercity new generation trains. Also in Italy, Alstom and NTV have signed a contract for the purchase of four additional PENDOLINO™ high-speed trains and related maintenance services. Finally in the United Kingdom, the Group was awarded a maintenance contract to deliver specialised materials, parts, technical and engineering support for Class 180 trains.

During the first half of fiscal year 2016/17, in Americas, Alstom registered €2.6 billion of orders, compared to €0.8 billion during the same period last year. The Group was notably awarded a major contract in the United States of America for the supply of new generation high-speed trains to increase ridership and the number of daily services on the Northeast Corridor route. Another 15-year contract was also signed for the maintenance of these trains. In addition, the Group was selected in Peru for the supply of METROPOLIS™ cars and the reconfiguration of several car trains of the line 1 of Lima metro. Finally, Alstom registered a 30-year maintenance contract for CITADIS™ vehicles in Ottawa, Canada.

In Asia/Pacific, Alstom recorded €0.3 billion orders received during the first half of fiscal year 2016/17, compared to €0.6 billion during the same period last year. In Australia, the Group was notably selected for the supply of five additional X'TRAPOLIS™ trainsets to improve Melbourne's suburban rail network. Also, in China, a contract was signed to modernise metro cars and supply traction and train control systems for the Shanghai metro. Last year, orders received were boosted by a major contract signed in Hong Kong for new signalling metro systems and by an order received in India to provide metro trainsets and a signalling system for Lucknow metro network.

During the first half of fiscal year 2016/17, Middle East/Africa recorded €1.3 billion of orders. This performance was driven by a major contract in the United Arab Emirates to supply an integrated metro system including 50 METROPOLIS™ trainsets associated with a three-year warranty. Alstom was also selected to enhance the existing Red metro line in Dubai by upgrading power supply, communication, signalling systems and trackworks.

In the Signalling business, Alstom recorded €0.4 billion orders received during the first half of fiscal year 2016/17, compared to 0.9 billion during the same period last year. Last year, orders received were boosted by the upgrade of the signalling system of Hong Kong metro and an integrated train control system for the Greater Toronto.

Alstom received the following major orders during the first half of fiscal year 2016/17:

Country	**Product**	**Description**
Canada	Services	Supply of 30-year maintenance of CITADIS™ vehicles for Ottawa
Chile	Services	23-year maintenance contract for Santiago metro
Italy	Trains	Provision of 47 new medium capacity regional trains for Italian regions
Italy	Trains / Services	Supply of four additional PENDOLINO™ high-speed trains and related maintenance services
Netherlands	Trains	Supply of 79 intercity new generation trains for the Amsterdam-Rotterdam-Breda line and the Den Haag-Eindhoven corridor
Peru	Trains	Supply of 120 METROPOLIS™ cars and 19 new cars to complete the existing trainsets for Lima Metro L1
United Arab Emirates	Systems	Supply of 50 METROPOLIS™ trainsets and 15km extension of the Dubai Metro Red line for Dubai Metro Route 2020
United Kingdom	Services	Maintenance service for ten Class 180 trains
United States of America	Trains / Services	Supply of 28 trainsets for the Northeast Corridor route and associated 15-year maintenance contract

4. Income Statement

4.1. Sales

During the first half of fiscal year 2016/17, Alstom registered €3.6 billion of sales compared to €3.3 billion last year, an increase of 7% on an organic basis.

Geographic breakdown	Half-year ended				% Variation Sept. 16/ Sept. 15	
Actual figures *(in € million)*	**30 September 2016**	% of contrib	**30 September 2015 ***	% of contrib	**Actual**	**Org.**
Europe	2,121	59%	1,983	60%	7%	8%
Americas	577	16%	501	15%	15%	(5%)
Asia/Pacific	343	10%	364	11%	(6%)	(4%)
Middle East/Africa	529	15%	455	14%	16%	22%
SALES BY DESTINATION	**3,570**	**100%**	**3,303**	**100%**	**8%**	**7%**

* In comparison with HY 2015/16 financial statements, Kazakhstan and Azerbaijan were represented and moved from Europe region to Middle East/Africa.

Product breakdown	Half-year ended				% Variation Sept. 16/ Sept. 15	
Actual figures *(in € million)*	**30 September 2016**	% of contrib	**30 September 2015**	% of contrib	**Actual**	**Org.**
Trains	1,641	46%	1,565	48%	5%	6%
Services	742	21%	791	24%	(6%)	(2%)
Systems	515	14%	430	13%	20%	24%
Signalling	672	19%	505	15%	33%	8%
Other	0	0%	12	0%	NA	NA
SALES BY DESTINATION	**3,570**	**100%**	**3,303**	**100%**	**8%**	**7%**

In Europe, Alstom's sales reached €2.1 billion, an 8% organic increase compared to the same period last year. Europe region represented 59% of the Group's total sales, notably thanks to the deliveries of CORADIA™ trains in France, Italy and Sweden. During the period, rolling stock execution for very high speed and suburban trains' contracts in France and PENDOLINO™ high-speed trains in Switzerland contributed to the solid region performance. As for Services, a significant maintenance contract was executed for PENDOLINO™ trains in the United Kingdom. Finally, the Group's sales were sustained by the execution of a contract for the construction of infrastructure track in the United Kingdom.

During the first half of fiscal year 2016/17, Alstom recorded €0.6 billion sales in Americas, representing a 5% organic decrease compared to last year. The region accounted for 16% of the total Group's sales, mainly thanks to the delivery of a tramway system solution for CITADIS™ trains in Brazil in service for the Olympic Games and the on-going execution of a metro system project in Panama. As for Signalling, Alstom's sales were sustained by progress made with GO Transit Union Station re-signalling contract in Canada. The region also benefited from the contribution of signalling activities acquired from General Electric.

In Asia/Pacific, sales amounted to €0.3 billion compared to €0.4 billion for the same period last year, a 4% decrease on an organic basis. During the same period last year, the region sales were fuelled by the delivery of METROPOLIS™ trainsets in Singapore, ramping down during the first half of fiscal year 2016/17.

In Middle East/Africa, Alstom recorded €0.5 billion sales during the first half of fiscal year 2016/17, up 22% on an organic basis versus last half of fiscal year. This growth was notably driven by progress with the PRASA contract (fleet renewal in South Africa) and new milestones traded on the Riyadh metro system contract in Saudi Arabia. Sales were also boosted by tramway deliveries in Algeria as well as the execution of the Lusail tramway system contract in Qatar.

On 30 September 2016, the Group backlog reached a record high at €33.6 billion, a €5.9 billion increase compared to last year, providing strong visibility on future sales.

4.2. Research & Development

Innovation is a source of competitiveness and differentiation for Alstom. Supporting this strategy, the Group increased research and development spending (excluding capitalisation and amortisation) to €62 million in the first half of fiscal year 2016/17. Amount of research and development expenses as recorded in P&L for the period was €65 million i.e. 1.8% of sales.

Alstom's research and development investments were notably focused on the development of its new generation of CORADIA™ regional trains. During the first half of fiscal year 2016/17, two major contracts using this new range of single deck EMUs were signed to equip the Italian and the Netherlands national networks.
In September 2016, at InnoTrans, the railway industry's largest trade fair, Alstom unveiled its zero-emission train CORADIA™ iLint. This regional train is powered by a hydrogen fuel cell, its only emission being steam and condensed water while operating with a low level of noise.

Through its joint-venture with ADEME, the Group also focused on its 'Very high-speed train of the future' project, aiming to promote a new generation of very high-speed trainset, which will reduce acquisition and operating costs by at least 20%, optimise the environmental footprint and develop the commercial offer to improve passenger experience. In order to carry out this major innovation project, SNCF and Alstom will pool their expertise, knowledge and skills. In September 2016, they jointly inaugurated the shared workspace of this ambitious and innovative cooperation, embodied by a team of multidisciplinary experts from both companies.

During the first half of fiscal year 2016/17, Alstom further invested in the development of its urban and mainline signalling solutions.

4.3. Selling and administrative expenses

During the first half of fiscal year 2016/17, selling expenses remained flat compared to last year at historical scope but were impacted by the acquisition of GE Signalling and the purchase of an additional 50% stake in Signalling Solutions Ltd (SSL). Volume growth drove the selling percentage of sales down to 2.6% (from 2.7%).
Administrative expenses increased by €14 million as compared to last fiscal year, impacted by scope, ramp-up of low labour cost countries notably India, partially offset by a decrease in our European historical scope. As percentage of sales, this growth was contained (from 4.9% to 5.0%).

4.4. Adjusted Earnings Before Interest and Taxes (adjusted EBIT)

During the first half of fiscal year 2016/17, the adjusted EBIT reached €200 million, compared to €167 million during the first half of fiscal year 2015/16. Adjusted EBIT margin reached 5.6% versus 5.1% during last fiscal year. This is driven by volume increase and portfolio mix improvement, notably through accretive acquisitions in the Signalling business, and by impact of competitiveness initiatives.

4.5. Earnings before interest and taxes (EBIT)

During the first half of fiscal year 2016/17, EBIT amounted to €168 million, compared to €124 million in first half of 2015/16. The Group EBIT was mainly impacted by €(24) million of amortisation of intangible assets and integration costs related to business combinations, notably after GE Signalling acquisition.

4.6. Net financial income (expense)

Net financial expense went down to €(71) million during the first half of fiscal year 2016/17 compared to €(86) million for the same period last year. This decrease in financial expenses is a consequence of the Group's gross financial debt reduction and bonds buy-back associated operations that occurred during the second half of fiscal year 2015/16.

4.7. Income tax charge

The Group recorded an income tax charge of €(32) million for the first half of fiscal year 2016/17 versus €(2) million for the same period last year.

4.8. Share of net income from equity-accounted investments

The share of net income from equity investments amounted to €47 million mainly thanks to the re-measurement of the put option in the Energy alliances protecting the Group against adverse alliances' results during the period. (as disclosed in Note 12 to the consolidated financial statements).

4.9. Net profit - Group share

During the first half of fiscal year 2016/17, Net profit (Group share) amounted to €128 million in the first half of fiscal year 2016/17, compared to €(57) million during the same period last fiscal year and included:

- Net profit from Discontinued operations (Group share) for €24 million notably including the capital gain (net of tax and other costs) related to staggered and delayed assets;
- Net profit from Continuing operations (Group share) for €104 million.

5. Free cash flow and Net Debt/(Cash)

During the first half of fiscal year 2016/17, the Group free cash flow was positive at €333 million compared to €(1,336) million during the first half of fiscal year 2015/16. Last year indicator included the operating cash flows used by Discontinued operations for €(1,068) million. Current period free cash flow showed a significant improvement notably thanks to a net cash generation from operating activities of €396 million, as the Group has benefited from a combination of large down-payments received from new orders during this half year and phasing of both capex and legacy cash-out.

During the period, Alstom has invested €43 million in capital expenditures of tangible assets in order to strengthen its global footprint in the growing markets while continuing to modernize its existing facilities.

Present in 60 countries, Alstom has adapted its organisation to strengthen its international coverage and better respond to the needs of customers on a local level. This need to continuously reinforce its network of local industrial sites as well as local competences notably through the new train manufacturing sites in India and in South Africa should trigger an additional €300 million capex over three years. Up to the first half of fiscal year 2016/17, this additional capex accounted for €27 million. This investment was made in conjunction with the construction launch of the new train manufacturing site in South Africa.

On 30 September 2016, the Group recorded a net cash level of €54 million, compared to the net debt position of €(203) million on 31 March 2016 mainly driven by the positive free cash flow generated over the period.

In addition to its available cash and cash equivalents, amounting to €2,308 million as at 30 September 2016, the Group can access a €400 million revolving credit facility, maturing in November 2021, with a possible one-year extension, which was fully undrawn as of September 2016.

6. Equity

Equity on 30 September 2016 increased to €3,415 million (including non-controlling interests) from €3,328 million on 31 March 2016. It was mostly impacted by:

- net profit from the first half of fiscal year 2016/17 of €128 million (Group share);
- actuarial hypothesis variation on pensions (recorded in equity) of €(85) million net of tax;
- currency translation adjustment of €43 million.

7. Other information

7.1. Risks

Contingent liabilities and disputes are described in Note 21 of the Condensed Interim Consolidated Financial Statements as of 30 September 2016. Financial risks (currency, credit, interest rate and liquidity) and their management are described in Note 20 of the Condensed Interim Consolidated Financial Statements as of 30 September 2016 and in Note 27 of the Consolidated Financial Statements as of 31 March 2016 and the other risk factors are described in the Registration Document for the fiscal year 2015/16 filed with the Autorité des Marchés Financiers on 31 May 2016.

7.2. Related parties

During the 6 month period ended 30 September 2016, there is no major modification concerning related parties as described in 2015/16 Annual Financial report.
Related parties are presented in Note 22 of the Condensed Interim Consolidated Financial Statements as of 30 September 2016.

ALSTOM

8. Use of non-GAAP financial indicators

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

8.1. 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.

8.2. 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 and to foreign currency translation effects.

8.3. Book-to-Bill

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

8.4. 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.

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

(in € million)	Half-year ended 30 September 2016	 30 September 2015
Adjusted Earnings Before Interest and Taxes	**200**	**167**
aEBIT (in % of Sales)	*5.6%*	*5.1%*
Restructuring costs	0	(14)
Assets impairment	0	(78)
PPA amortisation and Integration costs	(24)	0
Capital gains/losses on disposal of business	(1)	36
Others *	(7)	13
Earnings Before Interest and Taxes	**168**	**124**

* includes mainly the reclassification of separation costs in connection with the disposal of discontinued activities from other non-recurring income / (expense) to net profit from discontinued activities for an amount of €(23) million at 30 September 2015.

8.5. 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:

(in € million)	Half-year ended 30 September 2016	 30 September 2015
Net cash provided by / (used in) operating activities	**396**	**(1,047) ***
Capital expenditure (including capitalised R&D costs)	(64)	(337)
Proceeds from disposals of tangible and intangible assets	1	48
FREE CASH FLOW	**333**	**(1,336)**

* includes mainly the operating cash flow used by discontinued activities for €(1,068) million.

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 2016/17, the Group's free cash flow was positive at €333 million compared to €(1,336) million during the same period of the previous year.

8.6. 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 2016, capital employed reached €3,740 million, compared to €3,901 million at the end of March 2016.
Decrease in capital employed in September 2016 as compared to March 2016 was mainly explained by the working capital improvement in relation with the large down-payments received during the period.

(in € million)	Half-year ended 30 September 2016	Year ended 31 March 2016
Non current assets *	5,714	5,677
less deferred tax assets	(228)	(242)
less non-current assets directly associated to financial debt	(276)	(318)
less prepaid pension benefits	-	(1)
Capital employed - non current assets **(A)**	5,210	5,116
Current assets	8,784	7,904
less cash & cash equivalents	(2,308)	(1,961)
less marketable securities and other current financial assets	(4)	(22)
Capital employed - current assets **(B)**	6,472	5,921
Current liabilities	8,035	7,167
less current financial debt	(731)	(686)
plus non current provisions	638	655
Capital employed - liabilities **(C)**	7,942	7,136
CAPITAL EMPLOYED (A)+(B)-(C)	**3,740**	**3,901**

* includes Energy alliances and put options

8.7. Net cash/(debt)

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

On 30 September 2016, the Group recorded a net cash level of €54 million, compared to the net debt position of €(203) million at 31 March 2016. This decrease in Alstom's net financial debt resulted notably from the positive free cash flow generated over the period.

(in € million)	Half-year ended 30 September 2016	Year ended 31 March 2016
Cash and cash equivalents	2,308	1,961
Marketable securities and other current financial assets	4	22
Financial non-current assets directly associated to financial debt	276	318
less:		
Current financial debt	731	686
Non current financial debt	1,803	1,818
NET CASH/(DEBT) AT THE END OF THE PERIOD	**54**	**(203)**

8.8. 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.

Condensed interim consolidated financial statements,
Half-year ended 30 September 2016

Condensed interim consolidated financial statements

At September 30, 2016

INTERIM CONSOLIDATED INCOME STATEMENT

(in € million)	Note	Half-year ended 30 September 2016	Half-year ended 30 September 2015	Year ended 31 March 2016
Sales	(5)	**3,570**	**3,303**	**6,881**
Cost of sales *		(3,034)	(2,825)	(5,843)
Research and development expenses	(6)	(65)	(58)	(136)
Selling expenses		(94)	(90)	(191)
Administrative expenses *		(177)	(163)	(345)
Other income / (expenses)		-	-	-
Adjusted Earning Before Interests and Taxes	(5)	**200**	**167**	**366**
Other non recurring income / (expense) **	(7)	(32)	(43)	(592)
Earnings before interest and taxes	(5)	**168**	**124**	**(226)**
Financial Income	(8)	13	49	73
Financial Expenses	(8)	(84)	(135)	(348)
Pre-tax income		**97**	**38**	**(501)**
Income tax charge	(9)	(32)	(2)	(597)
Share of net income of equity-accounted investments	(12)	47	13	30
Net profit from continuing operations	(4)	**112**	**49**	**(1,068)**
Net profit from discontinued operations **	(4)	24	(97)	4,079
NET PROFIT		**136**	**(48)**	**3,011**
Net profit attributable to equity holders of the parent		128	(57)	3,001
Net profit attributable to non controlling interests		8	9	10
Net profit from continuing operations attributable to:				
- Equity holders of the parent **		104	41	(1,083)
- Non controlling interests		8	8	15
Net profit from discontinued operations attributable to:				
- Equity holders of the parent **		24	(98)	4,084
- Non controlling interests		-	1	(5)
Earnings per share (in €)				
- Basic earnings per share	(16)	0.58	(0.18)	10.17
- Diluted earnings per share	(16)	0.58	(0.18)	10.09
Earnings per share (in €)				
- Basic earnings per share from continuing operations	(16)	0.47	0.13	(3.67)
- Diluted earnings per share from continuing operations	(16)	0.47	0.13	(3.64)
Earnings per share (in €)				
- Basic earnings per share from discontinued operations	(16)	0.11	(0.32)	13.84
- Diluted earnings per share from discontinued operations	(16)	0.11	(0.31)	13.73

* includes the reclassification of IT depreciation and severance costs from Cost of Sales to Administrative costs for €(10) million at 30 September 2015.

** includes mainly separation costs in connection with the disposal of discontinued activities. Reclassification from other non-recurring income / (expense) to net profit from discontinued activities amounts to €(23) million at 30 September 2015.

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Half-year ended		Year ended
(in € million)	**Note**	**30 September 2016**	**30 September 2015**	**31 March 2016**
Net profit recognised in income statement		**136**	**(48)**	**3,011**
Remeasurement of post-employment benefits obligations	(18)	(99)	(189)	(240)
Income tax relating to items that will not be reclassified to profit or loss		14	43	32
Items that will not be reclassified to profit or loss		**(85)**	**(146)**	**(208)**
of which from equity-accounted investments	(12)	-	-	-
Fair value adjustments on available-for-sale assets		-	-	-
Fair value adjustments on cash flow hedge derivatives		(7)	7	14
Currency translation adjustments		43	(298)	(262)
Income tax relating to items that may be reclassified to profit or loss		-	(2)	(2)
Items that may be reclassified to profit or loss		**36**	**(293)**	**(250)**
of which from equity-accounted investments	(12)	*19*	*(126)*	*(37)*
Other comprehensive income		**(49)**	**(439)**	**(458)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**87**	**(487)**	**2,553**
Attributable to:				
- Equity holders of the parent		79	(486)	2,554
- Non controlling interests		8	(1)	(1)
Total comprehensive income attributable to equity shareholders arises from :				
- Continuing operations *		56	(156)	(1,227)
- Discontinued operations *		23	(330)	3,781
Total comprehensive income attributable to minority equity arises from :				
- Continuing operations		8	3	8
- Discontinued operations		-	(4)	(9)

* includes mainly the reclassification of separation costs in connection with the disposal of discontinued activities from "other non-recurring income / (expense)" to "net profit from discontinued activities" for an amount of €(23) million at 30 September 2015.

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 2016	At 31 March 2016
Goodwill	(10)	1,415	1,366
Intangible assets	(10)	374	387
Property, plant and equipment	(11)	668	655
Investments in joint-ventures and associates	(12)	2,644	2,588
Non consolidated investments		39	38
Other non-current assets	(13)	346	401
Deferred taxes		228	242
Total non-current assets		**5,714**	**5,677**
Inventories	(14)	969	834
Construction contracts in progress, assets	(14)	2,647	2,356
Trade receivables		1,678	1,613
Other current operating assets	(14)	1,178	1,118
Marketable securities and other current financial assets		4	22
Cash and cash equivalents	(15)	2,308	1,961
Total current assets		**8,784**	**7,904**
Assets held for sale	(4)	25	41
TOTAL ASSETS		**14,523**	**13,622**

Equity and liabilities

(in € million)	Note	At 30 September 2016	At 31 March 2016
Equity attributable to the equity holders of the parent	(16)	3,367	3,279
Non controlling interests		48	49
Total equity		**3,415**	**3,328**
Non-current provisions	(17)	638	655
Accrued pension and other employee benefits	(18)	584	487
Non-current borrowings	(19)	1,558	1,538
Non-current obligations under finance leases	(19)	245	280
Deferred taxes		21	52
Total non-current liabilities		**3,046**	**3,012**
Current provisions	(17)	197	208
Current borrowings	(19)	693	639
Current obligations under finance leases	(19)	38	47
Construction contracts in progress, liabilities	(14)	4,334	3,659
Trade payables		1,121	1,133
Other current operating liabilities	(14)	1,652	1,481
Total current liabilities		**8,035**	**7,167**
Liabilities related to assets held for sale	(4)	27	115
TOTAL EQUITY AND LIABILITIES		**14,523**	**13,622**

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 2016	 30 September 2015
Net profit		**136**	**(48)**
Depreciation, amortisation, expense arising from share-based payments and others		140	267
Post-employment and other long-term defined employee benefits	(18)	9	(6)
Net (gains)/losses on disposal of assets		(70)	22
Share of net income (loss) of equity-accounted investments (net of dividends received)	(12)	(40)	-
Deferred taxes charged to income statement		(10)	(153)
Net cash provided by operating activities - before changes in working capital		**165**	**82**
Changes in working capital resulting from operating activities	(14)	231	(1,129)
Net cash provided by/(used in) operating activities		**396**	**(1,047)**
Proceeds from disposals of tangible and intangible assets		1	48
Capital expenditure (including capitalised R&D costs)		(64)	(337)
Increase/(decrease) in other non-current assets	(13)	24	(13)
Acquisitions of businesses, net of cash acquired	(3)	(12)	(26)
Disposals of businesses, net of cash sold	(4)	(31)	(64)
Net cash provided by/(used in) investing activities		**(82)**	**(392)**
Capital increase/(decrease) including non controlling interests		-	6
Dividends paid including payments to non controlling interests		(5)	(8)
Issuances of bonds & notes	(19)	-	-
Repayments of bonds & notes issued	(19)	-	-
Changes in current and non-current borrowings	(19)	28	1,963
Changes in obligations under finance leases	(19)	(21)	(16)
Changes in marketable securities and other current financial assets and liabilities		20	(79)
Net cash provided by/(used in) financing activities		**22**	**1,866**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**336**	**427**
Cash and cash equivalents at the beginning of the period		1,961	1,599
Net effect of exchange rate variations		4	(78)
Other changes		2	-
Transfer to assets held for sale		5	(101)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2,308**	**1,847**
Income tax paid		*(40)*	*(162)*
*Net of interests paid & received **		*(16)*	*(50)*

* The "Net of interest paid & received" is included in line "Changes in current and non-current borrowings" of the above statement of cash flows.

(in € million)	Half-year ended 30 September 2016	 30 September 2015
Net cash/(debt) variation analysis *		
Changes in cash and cash equivalents	336	427
Changes in marketable securities and other current financial assets and liabilities	(20)	79
Changes in bonds and notes	-	-
Changes in current and non-current borrowings	(28)	(1,963)
Changes in obligations under finance leases	21	16
Transfer to assets held for sale	-	(470)
Net debt of acquired/disposed entities at acquisition/disposal date and other variations	(52)	251
Decrease/(increase) in net debt	257	(1,660)
Net cash/(debt) at the beginning of the period	**(203)**	**(3,143)**
NET CASH/(DEBT) AT THE END OF THE PERIOD	**54**	**(4,803)**

* The net cash/(debt) is defined as cash and cash equivalents, marketable securities and other current financial assets and non-current financial assets directly associated to liabilities included in financial debt (see Note 13), less financial debt (see Note 19).

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

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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	Other comprehensive income *	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
At 31 March 2015	**309,792,497**	**2,169**	**879**	**3,257**	**(2,171)**	**4,134**	**90**	**4,224**
Movements in other comprehensive income	-	-	-	-	(429)	(429)	(10)	(439)
Net income for the period	-	-	-	(57)	-	(57)	9	(48)
Total comprehensive income	**-**	**-**	**-**	**(57)**	**(429)**	**(486)**	**(1)**	**(487)**
Change in controlling interests and others	-	-	-	(2)	-	(2)	4	2
Dividends paid	-	-	-	-	-	-	(7)	(7)
Issue of ordinary shares under long term incentive plans	447,249	3	4	(2)	-	5	-	5
Recognition of equity settled share-based payments	-	-	-	7	-	7	-	7
At 30 September 2015	**310,239,746**	**2,172**	**883**	**3,203**	**(2,600)**	**3,658**	**86**	**3,744**
Movements in other comprehensive income	-	-	-	-	(18)	(18)	-	(18)
Net income for the period	-	-	-	3,058	-	3,058	1	3,059
Total comprehensive income	**-**	**-**	**-**	**3,058**	**(18)**	**3,040**	**1**	**3,041**
Change in controlling interests and others	-	-	-	(2,070)	1,871	(199)	(33)	(232)
Dividends paid	-	-	-	-	-	-	(4)	(4)
Share buy back	(91,500,000)	(641)	-	(2,578)	-	(3,219)	-	(3,219)
Issue of ordinary shares under long term incentive plans	(40,082)	-	(4)	2	-	(2)	-	(2)
Recognition of equity settled share-based payments	427,380	3	5	(7)	-	1	-	1
At 31 March 2016	**219,127,044**	**1,534**	**884**	**1,608**	**(747)**	**3,279**	**49**	**3,328**
Movements in other comprehensive income	-	-	-	-	(49)	(49)	-	(49)
Net income for the period	-	-	-	128	-	128	8	136
Total comprehensive income	**-**	**-**	**-**	**128**	**(49)**	**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**	**(791)**	**3,367**	**48**	**3,415**

* At 30 September 2016, other comprehensive income include notably €(425) million of currency translation adjustment, €(363) million of actuarial gains and losses, €(3) million of cash-flow hedge

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ALSTOM

Note 1. Presentation of the Group

Alstom designs, supplies, and services a complete range of technologically-advanced products and systems for its customers, and possesses a unique expertise in systems integration and through life maintenance and services. Alstom is one of the global leaders in rail transport equipment, systems, services, and signalling for urban, suburban, regional and mainline passenger transportation, as well as for freight transportation. Its products, which constitute one of the most complete and integrated product offerings on the market today, together with its position as a technological leader, place Alstom in a unique position through which it is able to benefit from the worldwide growth of the rail transport market.

The condensed interim consolidated financial statements are presented in euro and have been authorized for issue by the Board of Directors held on 8 November 2016.

Note 2. Accounting policies

2.1 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 2016 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 2016, 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 2016.

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 2016 and described in Note 2 to the consolidated financial statements for the year ended 31 March 2016, except:

- New standards and interpretations mandatorily applicable presented in paragraph 2.2 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 9) and Post-employment and other long term employee defined benefits valuations (as described in Note 18);
- Changes of presentation adopted by Alstom to better reflect the Group's financial performance at 31 March 2016:
    - Former indicator "Income from Operations" has been suppressed for the year ended 31 March 2016 ; the reconciliation of non-GAAP measure "adjusted EBIT" (aEBIT) indicator with the GAAP measure EBIT for half-year 2015/16 is presented in Note 5.
    - IT depreciation and severance costs reclassified from cost of sales to administrative costs at 31 March 2016. The impact for the half-year ended 30 September 2015 is a decrease of costs of sales for €10 million and an increase in Selling and Administrative expenses for the same amount.

- Separation costs in connection with the disposal of discontinued activities reclassified from other non-recurring income / (expense) to net profit from discontinued activities at 31 March 2016. The impact for the half-year ended 30 September 2015 is an increase of €23 million and a decrease in net profit from discontinued operations.

2.2 New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2016

Several amendments are applicable at 1 April 2016:

- Accounting for acquisitions of interest in joint operations (amendments to IFRS 11);
- Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38);
- Annual Improvements to IFRS 2012-2014 Cycle;
- Disclosure initiative (amendments to IAS 1).

All these amendments effective at 1 April 2016 for Alstom do not have any material impact on the Group's consolidated financial statements.

2.3 New standards and interpretations not yet mandatorily applicable

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

There is no new standard and interpretations endorsed by the European Union and not yet mandatorily applicable.

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

- Financial instruments:
  - Classification and measurement of financial assets (IFRS 9);
  - Mandatory effective date 1 January 2018 and transition guidance (amendments to IFRS 9 and IFRS 7);
  - Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39;
- Leases (IFRS 16): the standard will be applicable for annual periods beginning after 1 January 2019;
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12): the amendment will be applicable for annual periods beginning after 1 January 2017;
- Disclosure Initiative (Amendments to IAS 7): the amendment will be applicable for annual periods beginning after 1 January 2017;
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS2): the amendment will be applicable for annual periods beginning after 1 January 2018;
- IFRS 15 Revenue from contracts with customers: this standard will be applicable for annual periods beginning after 1 January 2018 and is currently being analyzed in terms of induced changes and potential financial impacts. Alstom's revenue recognition is mostly based on milestone method due to its long term contract activity and could be impacted by the application of this new standard. It has not yet been decided if Alstom will use full retrospective application or alternative retrospective application.

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

Note 3. Scope of consolidation

There is no significant change in the scope of consolidation since 31 March 2016.

Note 4. Assets held for sale and discontinued operations

Accounting methods and principles applicable to discontinued operations are identical to those used at 30 September 2015 and 31 March 2016.

As described in 2015/2016 Annual financial report, General Electric definitively acquired on 2 November 2015 the Thermal Power, Renewable Power and Grid activities as well as central and shared services (legal entities Alstom and Alstom Holdings have not been disposed) (the "Energy Business"). Authorizations required from a regulatory and merger control standpoint have been obtained in nearly all countries.

The remaining entities have been submitted to authorization in a limited number of countries mainly in Russia on strategic assets (specific filings). The Group has already been compensated within the transaction price for those "staggered and delayed transferred assets". During the 6 months period ended on September 30, 2016, authorization for the transfer of some Russian and Brazilian remaining assets held for sale has been granted, and the related capital gain (net of tax and other costs) has been recognized in accordance with IFRS 5 in caption "Net profit from discontinued operations". The line "Net profit from discontinued operations" also includes the operations of staggered and delayed transferred assets upon effective transfer, in compliance with IFRS 5, but the amounts are not significant.

- **Balance-sheet**

In compliance with IFRS 5, the lines "Assets held for sale" and "Liabilities held for sale" presented in Group's consolidated balance sheet report the contribution of discontinued operations at the closing date. At the end of September 2016, remain only few staggered and delayed transferred assets primarily located in Russia and China.

(in € million)	At 30 September 2016	31 March 2016
Total non-current assets	16	17
Total current assets	9	23
Cash and cash equivalents	-	1
TOTAL ASSETS HELD FOR SALE	**25**	**41**

(in € million)	At 30 September 2016	31 March 2016
Total non-current liabilities (excluding financial debt)	-	22
Total current liabilities (excluding financial debt)	4	16
Financial debt	23	77
TOTAL LIABILITIES RELATED TO ASSETS HELD FOR SALE	**27**	**115**

- **Cash-flow**

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. The operating flows and financing flows from discontinued activities are not significant for the 6 months period ended 30 September 2016.

- **Contingent liabilities - Commercial obligations**

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 2016, this transfer remains in progress for bonds and sureties amounting to €0.3 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 €23.8 billion.

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

Note 5. 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.

5.1. Key non-GAAP and GAAP indicators

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

(in € million)		At 30 September 2016	At 30 September 2015*
EBIT		**168**	**124**
Other non-recurring income/(expenses)	Note 7	32	43
Adjusted EBIT		**200**	**167**

* After reclassification of separation costs in connection with the disposal of discontinued activities. Reclassification from "other non-recurring income / (expense)" to "net profit from discontinued activities" amounts to €(23) million at 30 September 2015.

EBITDA non-GAAP measure presented in note 20.2 corresponds to Earnings before financing expense, financing income, income taxes, amortisation and impairment charges on PP&E and intangible assets. EBITDA is calculated over a 12 months period.

5.2 Key indicators by geographic area

Sales by country of destination

	Half-year ended	
(in € million)	**30 September 2016**	**30 September 2015***
Europe	2,121	1,983
of which France	*687*	*608*
Americas	577	501
Asia / Pacific	343	364
Middle East / Africa	529	455
TOTAL GROUP	**3,570**	**3,303**

* In comparison with HY 2015/16 financial statements, Kazakhstan and Azerbaijan were represented and moved from Europe region to Middle East/Africa

5.3 Information about major customers

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

Note 6. Research and development expenditure

	Half-year ended	
(in € million)	**30 September 2016**	**30 September 2015**
Research and development spending	**(62)**	**(58)**
Development costs capitalised during the period	21	28
Amortisation expense of capitalised development costs	(24)	(28)
Amortisation of acquired technology	-	-
RESEARCH AND DEVELOPMENT EXPENSES (IN P&L)	**(65)**	**(58)**

During the half-year ended 30 September 2016, the Group invested €62 million in research and development, notably for its new generation of CORADIA™ regional trains.

Through its joint-venture with ADEME, the Group also focused on its 'Very high-speed train of the future' project, aiming to promote a new generation of very high-speed trainset which will reduce acquisition and operating costs by at least 20%, optimise the environmental footprint and develop the commercial offer to improve passenger experience.

Note 7. Other non recurring income and expense

	Half-year ended	
(in € million)	**30 September 2016**	**30 September 2015**
Capital gains / (losses) on disposal of business	(1)	36
Restructuring and rationalisation costs	-	(14)
Impairment loss and other	(31)	(65)
OTHER NON RECURRING INCOME / (EXPENSE)	**(32)**	**(43)**

At 30 September 2016, other non recurring income and expense represent mainly:

- €(24) million of amortisation of intangible assets and integration costs related to business combinations, in particular GE Signalling acquisition ;
- €(7) million related to reassessment of legal proceedings and other legal costs that have arisen outside of the ordinary course of business ;
- €(1) million of capital loss on disposal.

At 30 September 2015, other income and other expense represent mainly:

- €37 million of impacts of the remeasurement of the interests previously held in SSL in compliance with IFRS 3 Revised (see Note 1.2);
- €(78) million of non-recurring impairment losses on assets relative to specific product AGV, due to new developments on the range of very high speed trains;
- €13 million of reassessment associated with legal proceedings and other legal costs that have arisen outside of the ordinary course of business.

Note 8. Financial income (expense)

	Half-year ended	
(in € million)	30 September 2016	30 September 2015
Interest income	5	3
Interest expense on borrowings	(45)	(87)
Interest expense recharged to the discontinued operations	-	41
NET FINANCIAL INCOME/(EXPENSES) ON DEBT	**(40)**	**(43)**
Net cost of foreign exchange hedging	(21)	(25)
Net financial expense from employee defined benefit plans	(7)	(4)
Other financial income/(expense)	(3)	(14)
NET FINANCIAL INCOME/(EXPENSES)	**(71)**	**(86)**

Note 9. 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 2016, the income tax rate is 33%.

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Note 10. Goodwill and intangible assets

10.1 Goodwill

(in € million)	At 31 March 2016	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 30 September 2016
GOODWILL	**1,366**	**39**	**-**	**10**	**1,415**
Of which:					
Gross value	1,366	39	-	10	1,415
Impairment	-	-	-	-	-

Following the acquisition of General Electric Signalling business as part of the global General Electric transaction on 2 November 2015, a preliminary valuation was determined. Movements between 31 March and 30 September 2016 mainly arose from adjustment in calculation of this goodwill for an amount of €23 million. This goodwill is still preliminary.

In addition, the Group recognized additional goodwill following acquisitions that occurred during the 6 months period ended 30 September 2016, for an amount of €9 million. These acquisitions are not significant on an individual basis.

The impairment test at 31 March 2016 supported the Group's opinion that goodwill was not impaired. At 30 September 2016, the Group considers that the assumptions used at 31 March 2016 to assess the recoverable value of goodwill are not substantially modified.

10.2 Intangible assets

(in € million)	At 31 March 2016	Acquisitions/ amortizations / impairments	Disposals	Translation adjustments, scope and other changes	At 30 September 2016
Development costs	1,115	21	-	(5)	1,131
Other intangible assets	325	4	-	23	352
Gross value	**1,440**	**25**	**-**	**18**	**1,483**
Development costs	(905)	(24)	-	5	(924)
Other intangible assets	(148)	(23)	-	(14)	(185)
Amortisation and impairment	**(1,053)**	**(47)**	**-**	**(9)**	**(1,109)**
Development costs	210	(3)	-	-	207
Other intangible assets	177	(19)	-	9	167
NET VALUE	**387**	**(22)**	**-**	**9**	**374**

Note 11. Property, plant and equipment

(in € million)	At 31 March 2016	Acquisitions/ depreciations / impairments	Disposals	Translation adjustments, scope and other changes	At 30 September 2016
Land	87	-	-	-	87
Buildings	688	5	(1)	27	719
Machinery and equipment	727	5	(3)	11	740
Constructions in progress	58	24	-	(10)	72
Tools, furniture, fixtures and other	257	7	(1)	(34)	229
Gross value	**1,817**	**41**	**(5)**	**(6)**	**1,847**
Land	(9)	-	-	1	(8)
Buildings	(405)	(11)	-	(9)	(425)
Machinery and equipment	(553)	(16)	3	2	(564)
Constructions in progress	(15)	-	-	-	(15)
Tools, furniture, fixtures and other	(180)	(8)	1	20	(167)
Amortisation and impairment	**(1,162)**	**(35)**	**4**	**14**	**(1,179)**
Land	78	-	-	1	79
Buildings	283	(6)	(1)	18	294
Machinery and equipment	174	(11)	-	13	176
Constructions in progress	43	24	-	(10)	57
Tools, furniture, fixtures and other	77	(1)	-	(14)	62
NET VALUE	**655**	**6**	**(1)**	**8**	**668**

Note 12. Investments in Joint Ventures and Associates

		Share in equity		Share of net income	
				Half-year ended	
(in € million)	% ownership	At 30 September 2016	At 31 March 2016	30 September 2016	30 September 2015
Associates		**2,610**	**2,551**	**46**	**23**
Of which :					
Grid Alliance	50%	**1,460**	1,478	**(41)**	-
Renewable Alliance	50%	**417**	547	**(119)**	-
Nuclear Alliance	20%	**109**	117	**(6)**	-
Put on Alliances		**283**	94	**195**	-
The Breakers Investments B.V.	33%	**236**	214	**6**	11
Other		**105**	101	**11**	12
Joint ventures		**34**	**37**	**1**	**(10)**
Of which :					
Speed Innov JV	69%	**27**	27	**-**	-
Other		**7**	10	**1**	(10)
TOTAL		**2,644**	**2,588**	**47**	**13**

- **Movements during the period**

(in € million)	At 30 September 2016	At 31 March 2016
Opening balance	**2,588**	**327**
Share in net income of equity-accounted investments	48	32
Impairment	(1)	(6)
Share in net income of equity-accounted investments, net	**47**	**26**
Dividends	(8)	(21)
Acquisitions	-	2,314
Changes in consolidation method	(3)	12
Translation adjustments and other	20	(70)
CLOSING BALANCE	**2,644**	**2,588**

At 31 March 2016, acquisition's movements include primarily the stake in the three Energy Alliances and the additional stake of 8% in the Breakers Investments BV /TMH.

12.1 Main associates

12.1.1 The three Energy Alliances

In the framework of the acquisition of Energy activities by General Electric, 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 alliances are accounted for under equity method in Alstom's consolidated financial statements. For practical reason, to be able to get timely and accurate information and allow comparability, the summarized financial information (at 100%) presented below are the figures of each of the three alliances at 30 June and 31 December, and are established in accordance with IFRS, including preliminary allocation of purchase price. These financial statements, established in US Dollars, were converted to Euros based on the rates used by the Group at 30 September and 31 March.

As compared to 30 September 2015, main variations in share of net income arise from remeasurement of the liquidity rights on these alliances, protecting the Group against adverse alliances' results during the period. In addition, there is no major change neither in these alliances contractual terms, nor in the liquidity rights owned by Alstom, as well as in the assumptions to exercise these liquidity rights as compared to 31 March 2016.

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- **Balance sheet and reconciliation on carrying value**

(in € million)	At 30 June 2016 Grid Alliance	Renewable Alliance	Nuclear Alliance
Goodwill	416	17	24
Non-current assets	4,109	3,106	1,493
Current assets	4,459	1,739	1,923
Assets held for sale	-	-	-
TOTAL ASSETS	**8,984**	**4,862**	**3,440**
Equity-attributable to the owners of the parent company	2,920	834	546
Equity-attributable to non-controlling interests	464	30	-
Non-current liabilities	932	197	1,150
Current liabilities	4,668	3,801	1,744
Liabilities related to assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	**8,984**	**4,862**	**3,440**
Equity interest held by the Group	50%	50%	20%
CARRYING VALUE OF THE GROUP'S INTERESTS	**1,460**	**417**	**109**

(in € million)	At 31 December 2015 Grid Alliance	Renewable Alliance	Nuclear Alliance
Goodwill	116	43	24
Non-current assets	4,365	2,953	1,405
Current assets	4,152	1,967	1,652
Assets held for sale	-	-	1
TOTAL ASSETS	**8,633**	**4,963**	**3,082**
Equity-attributable to the owners of the parent company	2,955	1,093	587
Equity-attributable to non-controlling interests	446	32	-
Non-current liabilities	1,152	459	1,074
Current liabilities	4,080	3,379	1,420
Liabilities related to assets held for sale	-	-	1
TOTAL EQUITY AND LIABILITIES	**8,633**	**4,963**	**3,082**
Equity interest held by the Group	50%	50%	20%
CARRYING VALUE OF THE GROUP'S INTERESTS	**1,478**	**547**	**117**

- **Income statement and reconciliation to the net income**

(in € million)	Year ended 30 June 2016 Grid Alliance	Renewable Alliance	Nuclear Alliance
Sales	2,087	310	548
Net income from continuing operations	(79)	(240)	(31)
Share of non-controlling interests	(2)	3	-
Net income attributable to the owners of the parent company	**(81)**	**(237)**	**(31)**
Other comprehensive income	(11)	(42)	(20)
TOTAL COMPREHENSIVE INCOME	**(92)**	**(279)**	**(51)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN THE NET INCOME	**(41)**	**(119)**	**(6)**

12.1.2 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 two seats in the TMH Board of Directors.

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 and 31 December 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 and 31 March.

- **Balance sheet and reconciliation on carrying value**

(in € million)	At 30 June 2016	At 31 December 2015
Non-current assets	798	747
Current assets	1,093	874
TOTAL ASSETS	**1,891**	**1,621**
Equity-attributable to the owners of the parent company	759	675
Equity-attributable to non-controlling interests	155	148
Non current liabilities	151	122
Current liabilities	826	676
TOTAL EQUITY AND LIABILITIES	**1,891**	**1,621**
Equity interest held by the Group	33%	33%
Net asset of the Breakers Investments B.V.	**250**	**223**
Goodwill	73	68
Impairment of share in net asset of equity investments	(62)	(57)
Other (*)	(25)	(20)
CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**236**	**214**

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

- **Income statement and reconciliation to the net income**

(in € million)	Half-year ended 30 June 2016	Half-year ended 30 June 2015
Sales	759	650
Net income from continuing operations	27	6
Share of non-controlling interests	5	8
Net income attributable to the owners of the parent company	**32**	**14**
Other comprehensive income	(6)	(13)
TOTAL COMPREHENSIVE INCOME	**21**	**(7)**
Equity interest held by the Group	33%	25%
GROUP'S SHARE IN THE NET INCOME OF THE BREAKERS INVESTMENTS B.V	**11**	**4**
Other (*)	(5)	7
GROUP'S SHARE IN THE NET INCOME OF THE BREAKERS INVESTMENTS B.V	**6**	**11**

* Includes the amortisation of the amounts recognized at the time of allocation of the acquisition price and, for the half-year ended 30 June 2015, the income net adjustment to closing date difference for an amount of €6 million.

12.1.3 Other associates

The net carrying value of other associates represents €105 million at 30 September 2016 (€101 million at 31 March 2016). They are not significant on an individual basis.

12.2 Investment in joint ventures

		Share in equity		Share of net income For the half-year ended	
(in € million)	% ownership	At 30 September 2016	At 31 March 2016	30 September 2016	30 September 2015
Speed Innov JV	**69%**	**27**	**27**	-	-
Other		7	10	1	(10)
JOINT VENTURES		**34**	**37**	**1**	**(10)**

Note 13. Other non-current assets

(in € million)	At 30 September 2016	At 31 March 2016
Financial non-current assets associated to financial debt (1)	276	318
Long-term loans, deposits and other	70	83
OTHER NON-CURRENT ASSETS	**346**	**401**

(1) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Note 19). They are made up as follows:

- At 30 September 2016, €260 million receivables and €16 million deposit;
- At 31 March 2016, €301 million receivables and €17 million deposit.

Movements over the period ended 30 September 2016 mainly arose from the decrease of €(18) million of obligations described above and from foreign exchange translation impacts of €(24) million.

Note 14. Working Capital

(in € million)	At 30 September 2016	At 31 March 2016	Variation
Inventories	969	834	135
Construction contracts in progress, net	(1,687)	(1,303)	(384)
Trade receivables	1,678	1,613	65
Other current operating assets / (liabilities)	(474)	(363)	(111)
Provisions	(835)	(863)	28
Trade payables	(1,121)	(1,133)	12
WORKING CAPITAL	**(1,470)**	**(1,215)**	**(255)**

(in € million)	Half-year ended 30 September 2016
Working capital at the beginning of the period	**(1,215)**
Changes in working capital resulting from operating activities	(231)
Changes in working capital resulting from investing activities	36
Translation adjustments and other changes	(14)
Transfer to assets held for sale	(46)
Total changes in working capital	**(255)**
WORKING CAPITAL AT THE END OF THE PERIOD	**(1,470)**

14.1 Inventories

(in € million)	At 30 September 2016	At 31 March 2016
Raw materials and supplies	679	599
Work in progress	251	219
Finished products	143	121
Inventories, gross	**1,073**	**939**
Raw materials and supplies	(85)	(88)
Work in progress	(4)	(4)
Finished products	(15)	(13)
Write-down	**(104)**	**(105)**
INVENTORIES, NET	**969**	**834**

14.2 Construction contracts in progress

(in € million)	At 30 September 2016	At 31 March 2016	Variation
Construction contracts in progress, assets	2,647	2,356	291
Construction contracts in progress, liabilities	(4,334)	(3,659)	(675)
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,687)**	**(1,303)**	**(384)**

(in € million)	At 30 September 2016	At 31 March 2016	Variation
Contracts costs incurred plus recognised profits less recognised losses to date	35,689	33,612	2,077
Less progress billings	(35,116)	(32,911)	(2,205)
Construction contracts in progress excluding down payments received from customers	**573**	**701**	**(128)**
Down payments received from customers	(2,260)	(2,004)	(256)
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,687)**	**(1,303)**	**(384)**

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14.3 Other current operating assets & liabilities

(in € million)	At 30 September 2016	At 31 March 2016
Down payments made to suppliers	90	85
Corporate income tax	64	171
Other taxes	172	127
Prepaid expenses	116	47
Other receivables	218	185
Derivatives relating to operating activities	209	191
Remeasurement of hedged firm commitments in foreign currency	309	312
OTHER CURRENT OPERATING ASSETS	**1,178**	**1,118**

(in € million)	At 30 September 2016	At 31 March 2016
Staff and associated liabilities	384	429
Corporate income tax	35	26
Other taxes	80	66
Deferred income	11	8
Other payables	623	490
Derivatives relating to operating activities	348	290
Remeasurement of hedged firm commitments in foreign currency	171	172
OTHER CURRENT OPERATING LIABILITIES	**1,652**	**1,481**

Over the period ended 30 September 2016, the Group entered into an agreement of assignment of receivables that leads to the derecognition of tax receivables for an amount of €122 million in accordance with IAS39 criteria.

Note 15. Cash and Cash equivalents

(in € million)	At 30 September 2016	At 31 March 2016
Cash	702	507
Cash equivalents	1,606	1,454
CASH AND CASH EQUIVALENT	**2,308**	**1,961**

At 30 September 2016, the group invested in the following cash equivalents:

- Euro money market funds in an amount of €1,260 million (€1,143 million at 31 March 2016) qualified as "monetary" 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 €346 million (€311 million at 31 March 2016).

Note 16. Equity and Earnings per shares

16.1 Capital

At 30 September 2016, the share capital of Alstom amounts to €1,533,923,825 consisting of 219, 131,975 ordinary shares with a par value of €7 each. At 30 September 2016, the weighted average number of outstanding ordinary shares amounts to 219,132,731 after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions" and to 222,165,968 after the effect of all dilutive instruments.

During the period ended 30 September 2016:

- 504 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 31 shares. The 77,050 bonds reimbursable in shares outstanding at 30 September 2016 represent 4,839 shares to be issued;
- 4,900 ordinary shares were issued under equity settled share-based payments.

The Shareholders' Meeting of Alstom held on 5 July 2016 decided not to distribute dividends.

16.2 2016 free share plan

On 23 September 2016, the Group sets up a worldwide free share distribution Plan. The 30-shares-award concerns all employees within Alstom on 30 June 2016, on the condition they are still employees of Alstom group at the end of a 2-years-vesting period, representing a maximum of 824,400 new shares of €7 of nominal value each to be issued in favor of a maximum of 27,480 beneficiaries.

At 30 September 2016, the income statement expenses for this plan are not significant.

16.3 Earnings per share

	Half-year ended		Year ended
(in € million)	30 September 2016	30 September 2015 *	31 March 2016
Net Profit attributable to equity holders of the parent :			
• From continuing operations	104	41	(1,083)
• From discontinued operations	24	(98)	4,084
EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**128**	**(57)**	**3,001**
number of shares			
Weighted average number of ordinary shares used to calculate basic earnings per share	**219,132,731**	**309,970,481**	**295,034,182**
Effect of dilutive instruments other than bonds reimbursable with shares:			
• Stock options and performance shares (LTI plan)	3,033,237	1,636,447	2,476,084
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE DILUTED EARNINGS PER SHARES	**222,165,968**	**311,606,928**	**297,510,266**
(in €)			
Basic earnings per share	0.58	(0.18)	10.17
Diluted earnings per share	0.58	(0.18)	10.09
Basic earnings per share from continuing operations	0.47	0.13	(3.67)
Diluted earnings per share from continuing operations	0.47	0.13	(3.64)
Basic earnings per share from discontinued operations	0.11	(0.32)	13.84
Diluted earnings per share from discontinued operations	0.11	(0.31)	13.73

* includes mainly the reclassification of separation costs in connection with the disposal of discontinued activities from "Other non-recurring income / (expense)" to "Net profit from discontinued activities" for an amount of €(23) million at 30 September 2015.

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Note 17. Provisions

(in € million)	At 31 March 2016	Additions	Releases	Applications	Translation adjustments and other	At 30 September 2016
Warranties	105	35	(14)	(30)	-	96
Litigations, claims and others	103	9	(9)	(4)	2	101
Current provisions	**208**	**44**	**(23)**	**(34)**	**2**	**197**
Tax risks & litigations	214	4	(18)	(1)	1	200
Restructuring	70	1	(4)	(11)	2	58
Other non-current provisions	371	13	(4)	(3)	3	380
Non-current provisions	**655**	**18**	**(26)**	**(15)**	**6**	**638**
TOTAL PROVISIONS	**863**	**62**	**(49)**	**(49)**	**8**	**835**

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

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

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.

Restructuring provisions derive from the adaptation of footprint in order to take into account the lower demand in developed countries (Europe, in particular) and the situation of overcapacity faced in certain countries.

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

Note 18. 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 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 2016.

Assumptions (weighted average rates)

(in %)	At 30 September 2016	At 31 March 2016
Discount rate	1.80	2.57
Rate of compensation increase	2.60	3.08

Movements of the period

Actuarial gains and losses and asset ceiling arising from post-employment defined benefit plans recognized in the Other comprehensive income for the half-year ended 30 September 2016 are related to €(99) million actuarial gains and losses, mainly in United Kingdom and to a minor extent, in European countries.

Other variations on the period ended 30 September 2016 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 2016.

Note 19. Financial debt

Carrying amount (in € million)	At 30 September 2016	At 31 March 2016
Bonds	1,970	1,970
Other borrowing facilities	170	115
Put options and earn-out on acquired entities	47	54
Derivatives relating to financing activities	16	18
Accrued interests	48	20
Borrowings	**2,251**	**2,177**
Non-current	*1,558*	*1,538*
Current	*693*	*639*
Obligations under finance leases	23	26
Other obligations under long-term rental	260	301
Obligations under finance leases	**283**	**327**
Non-current	*245*	*280*
Current	*38*	*47*
TOTAL FINANCIAL DEBT	**2,534**	**2,504**

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

ISIN and bond description	Initial Nominal value (in € million)	Maturity date	Nominal interest rate	Effective interest rate	Residual nominal value at 30 September 2016	Market value at 30 September 2016
Alstom February 2017	750	01/02/2017	4.13%	4.25%	453	459
Alstom October 2017	350	11/10/2017	2.25%	2.44%	272	278
Alstom October 2018	500	05/10/2018	3.63%	3.71%	371	398
Alstom July 2019	500	08/07/2019	3.00%	3.18%	283	305
Alstom March 2020	750	18/03/2020	4.50%	4.58%	596	685
TOTAL					**1,975**	**2,125**

The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Note 13).

Other borrowings consist in banking facilities drawn by affiliates.

Note 20. Financial instruments and financial risk management

20.1 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 2016.

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, and whenever possible, instruments are negotiated directly with local banks.

At 30 September 2016, the fair value of hedging instruments represents a net liability of €140 million.

20.2 Liquidity risk management

Financial covenants

In addition to its available cash and cash equivalents, amounting to €2,308 million at 30 September 2016, the Group can access a €400 million revolving credit facility, maturing in November 2021, with a possible one-year extension, which is fully undrawn at September 2016.

This facility is subject to the following financial covenant: Ratio of total net debt (Total debt less short-term investments and cash and cash equivalents) to EBITDA (Earnings before financing expense, financing income, income taxes, amortisation and impairment charges on PP&E and intangible assets) should not exceed 2.5.

The financial covenant calculation is detailed below:

(in € million)	Half-year ended 30 September 2016	For the year ended 31 March 2016
EBITDA (excluding capital gain on disposal)	371	358
Total net debt	(58)	216
TOTAL NET DEBT LEVERAGE	**(0.2)**	**0.6**

20.3 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, including deposits, foreign currency hedging instruments and other financial instruments with banks and financial institutions.

20.4 Currency management risk

The British vote in favor of leaving European Union does not have economical significant consequences on the Group.

Note 21. Contingent liabilities and disputes

21.1 Contingent liabilities

Commercial 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 €3.5 billion Committed Bilateral Bonding Facility Agreement ("CBBGFA") with five tier one banks allowing issuance until 1st November 2018 of bonds with tenors up to 7 years.

As at 30 September 2016, the total outstanding bonding guarantees related to contracts from continuing operations, issued by banks or insurance companies, amounted to €7.7 billion (€ 7.6 billion at 31 March 2016).

The available amount under the Committed Bilateral Bonding Guarantee Facility Agreement at 30 September 2016 amounts to €1.6 billion (€1.1 billion at 31 March 2016). 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 20.2.

21.2 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 and the final report setting forth its conclusions on the procedure is therefore expected to be presented by the end of 2016. 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 a train maintenance project, which is also subject to administrative proceedings since 2013.

- **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 above mentioned 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.

In Brazil, assets of two former Group's subsidiaries and shares of these entities held by the Group had been frozen in February 2015 in relation to a procedure related to an energy project originated in the 1990s. The parties have since then agreed on a settlement of this matter and the two Group's subsidiaries were transferred to General Electric upon the release of the shares freeze. Alstom will therefore no longer be reporting on this case.

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 of BRL2.5 billion (approximately €690 million) excluding 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). Two former US subsidiaries, Alstom Power Inc. and Alstom Grid Inc. (formerly known as Alstom T&D Inc.), have agreed to enter into deferred prosecution agreements with the DOJ relating to FCPA charges. Given that these former US subsidiaries are now held by General Electric, the management of their deferred prosecution agreements is handled by General Electric. Another Alstom subsidiary, Alstom Network Schweiz AG (formerly known as Alstom Prom AG), has agreed to plead guilty to FCPA antibribery charges. In relation to these underlying charges, the ultimate parent company of the Group, Alstom S.A. has agreed to plead guilty to violating the books and records and internal controls provisions of the FCPA and to pay a fine of approximately $772 million. The DOJ agreement has also stipulated that no part of the fine can be passed on to General Electric as part of the projected sale of Alstom's Energy businesses. 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 the first annual report on its integrity program pursuant to the applicable three-year reporting period. The second annual report is scheduled for transmission by end of 2016.

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. 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 transportation projects is expected to begin in the spring of 2017. It remains difficult to assess with precision the outcome of these procedures. It shall be noted that the proceedings related to the energy project in Lithuania involve a company transferred to General Electric and, in view of the sale of Alstom's Energy activities to General Electric referred to in the preliminary remark, the risks associated with this Lithuanian case as well as its management have been transferred to General Electric.

The World Bank and Alstom entered into a negotiated resolution agreement on 21 February 2012. As part of this agreement, the World Bank announced its decision to debar Alstom Hydro France and Alstom Network Schweiz AG (Switzerland) and their affiliates from public tenders financed by the World Bank for a period of three years which ended on 21 February 2015. The World Bank determined that Alstom has implemented a corporate compliance program in line with the World Bank's integrity compliance policies and practices and has satisfied all of the other conditions of the February 2012 negotiated resolution agreement.

- **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.

- **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.

As a result, the arbitration procedure is now in the phase of assessment of damages, the parties are processing documents production matters and are presenting their respective positions. In parallel, DLH has made renewed attempts to obtain payment of the bank guarantees but defense proceedings by the AMD consortium have enabled so far to reject these payment requests.

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 is challenging its contents with amendment requests. This challenge is under review by the competent tribunal. 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 and Alstom is currently waiting for the arbitral award.

- **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.

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 twelve months, a significant impact on the financial situation or profitability of the Group.

Note 22. Related parties

During the 6 months period ended 30 September 2016, there was no major modification concerning related parties as described in 2015/2016 Annual Financial report.

Related party transactions are mainly transactions between Alstom and:

- 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.
- Government-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 €414 million sales at 30 September 2016.
- 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.

Note 23. Subsequent events

There are no significant subsequent events to be reported.

Statutory auditor's review report on the interim 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 2016)

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 2016 to 30 September 2016;
- 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 21.2 "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, 8 November 2016

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

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

I hereby state that, to my knowledge the condensed consolidated financial statements of ALSTOM (the "Company") for the half-year of fiscal year 16/17, 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 the consolidation perimeter, and that the half year management report included in the consolidation perimeter, 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, 8 November 2016

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.*

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