

# **Consolidated financial statements**

**Year ended 31 March 2013**

## CONSOLIDATED INCOME STATEMENT

(in € million)	Note	Year ended	
		31 March 2013	31 March 2012
<b>Sales</b>	(4)	<b>20,269</b>	<b>19,934</b>
Cost of sales		(16,324)	(16,144)
Research and development expenses	(5)	(737)	(682)
Selling expenses		(952)	(900)
Administrative expenses		(793)	(802)
<b>Income from operations</b>	(4)	<b>1,463</b>	<b>1,406</b>
Other income	(6)	6	3
Other expense	(6)	(282)	(337)
<b>Earnings before interest and taxes</b>	(4)	<b>1,187</b>	<b>1,072</b>
Financial income	(7)	36	55
Financial expense	(7)	(259)	(232)
<b>Pre-tax income</b>		<b>964</b>	<b>895</b>
Income tax charge	(8)	(193)	(179)
Share in net income of equity investments	(12)	47	28
<b>Net profit</b>		<b>818</b>	<b>744</b>
Attributable to:			
- Equity holders of the parent		802	732
- Non controlling interests		16	12
<b>Earnings per share (in €)</b>	(9)		
- Basic earnings per share		2.66	2.49
- Diluted earnings per share		2.64	2.46

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Year ended	
	31 March 2013	31 March 2012
<b>Net profit recognised in income statement</b>	<b>818</b>	<b>744</b>
Actuarial gains and losses on post-employment benefits	(23)	(295)
Income tax relating to items that will not be reclassified to profit or loss	(8)	55
<b>Items that will not be reclassified to profit or loss</b>	<b>(240)</b>	<b>(286)</b>
Fair value adjustments on available-for-sale assets	(1)	(13)
Fair value adjustments on cash flow hedge derivatives	15	(29)
Currency translation adjustments	36	60
Income tax relating to items that may be reclassified to profit or loss	(8)	(2)
<b>Items that may be reclassified to profit or loss</b>	<b>48</b>	<b>22</b>
<b>Other comprehensive income</b>	<b>(192)</b>	<b>(264)</b>
<b>Total comprehensive income for the period</b>	<b>626</b>	<b>480</b>
Attributable to:		
- Equity holders of the parent	611	473
- Non controlling interests	15	7

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

## CONSOLIDATED BALANCE SHEET

(in € million)	Note	At 31 March 2013	At 31 March 2012
<b>ASSETS</b>			
Goodwill	(10)	5,536	5,483
Intangible assets	(10)	1,982	1,921
Property, plant and equipment	(11)	3,024	2,852
Associates and non consolidated investments	(12)	698	531
Other non-current assets	(13)	515	545
Deferred taxes	(8)	1,711	1,472
<b>Total non-current assets</b>		<b>13,466</b>	<b>12,804</b>
Inventories	(14)	3,144	3,138
Construction contracts in progress, assets	(15)	4,158	3,752
Trade receivables	(16)	5,285	5,692
Other current operating assets	(17)	3,328	3,557
Marketable securities and other current financial assets	(18)	36	13
Cash and cash equivalents	(25)	2,195	2,091
<b>Total current assets</b>		<b>18,146</b>	<b>18,243</b>
<b>Total assets</b>		<b>31,612</b>	<b>31,047</b>

(in € million)	Note	At 31 March 2013	At 31 March 2012
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to the equity holders of the parent	(20)	5,011	4,327
Non controlling interests		93	107
<b>Total equity</b>		<b>5,104</b>	<b>4,434</b>
Non-current provisions	(22)	680	804
Accrued pension and other employee benefits	(23)	1,642	1,417
Non-current borrowings	(24)	4,197	3,863
Non-current obligations under finance leases	(24)	433	477
Deferred taxes	(8)	284	176
<b>Total non-current liabilities</b>		<b>7,236</b>	<b>6,737</b>
Current provisions	(22)	1,309	1,414
Current borrowings	(24)	283	634
Current obligations under finance leases	(24)	42	48
Construction contracts in progress, liabilities	(15)	9,909	9,508
Trade payables		4,041	4,080
Other current operating liabilities	(26)	3,688	4,192
<b>Total current liabilities</b>		<b>19,272</b>	<b>19,876</b>
<b>Total equity and liabilities</b>		<b>31,612</b>	<b>31,047</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Note	Year ended	
		31 March 2013	31 March 2012
<b>Net profit</b>		<b>818</b>	<b>744</b>
Depreciation, amortisation and expense arising from share-based payments		543	621
Post-employment and other long-term defined employee benefits		(65)	(61)
Net (gains)/losses on disposals of assets		34	1
Share in net income of associates (net of dividends received)		(18)	(27)
Deferred taxes charged to income statement		(73)	(94)
<b>Net cash provided by operating activities - before changes in working capital</b>		<b>1,239</b>	<b>1,184</b>
<b>Changes in working capital resulting from operating activities</b>	<b>(19)</b>	<b>(150)</b>	<b>(968)</b>
<b>Net cash provided by / (used in) operating activities</b>		<b>1,089</b>	<b>216</b>
Proceeds from disposals of tangible and intangible assets		57	24
Capital expenditure (including capitalised R&D costs)	(4)	(738)	(813)
Increase/(decrease) in other non-current assets		37	15
Acquisitions of businesses, net of cash acquired		(472)	(65)
Disposals of businesses, net of net cash sold		(2)	(73)
<b>Net cash provided by / (used in) investing activities</b>		<b>(1,118)</b>	<b>(912)</b>
Capital increase/(decrease) including non controlling interests		351	(1)
Dividends paid including payments to non controlling interests		(243)	(206)
Changes in ownership interests with no gain/loss of control		(48)	-
Issuance of bonds & notes	(24)	350	560
Changes in current and non-current borrowings		(174)	13
Changes in obligations under finance leases		(45)	(42)
Changes in marketable securities and other current financial assets and liabilities		(11)	(237)
<b>Net cash provided by / (used in) financing activities</b>		<b>180</b>	<b>87</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>151</b>	<b>(609)</b>
Cash and cash equivalents at the beginning of the period		2,091	2,701
Net effect of exchange rate variations		(49)	-
Other changes		2	(1)
<b>Cash and cash equivalents at the end of the period</b>		<b>2,195</b>	<b>2,091</b>
<i>Income tax paid</i>		<i>(240)</i>	<i>(264)</i>
<i>Net of interests paid &amp; received</i>		<i>(186)</i>	<i>(170)</i>

(in € million)	Year ended	
	31 March 2013	31 March 2012
<b>Net cash / (debt) variation analysis (*)</b>		
Changes in cash and cash equivalents	151	(609)
Changes in marketable securities and other current financial assets & liabilities	11	237
Changes in bonds and notes	(350)	(560)
Changes in current and non-current borrowings	174	(13)
Changes in obligations under finance leases	45	42
Net debt of acquired entities at acquisition date and other variations	119	(303)
<i>Decrease / (increase) in net debt</i>	<i>150</i>	<i>(1,206)</i>
<b>Net cash / (debt) at the beginning of the period</b>	<b>(2,492)</b>	<b>(1,286)</b>
<b>Net cash / (debt) at the end of the period</b>	<b>(2,342)</b>	<b>(2,492)</b>

(\*) 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 24).

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in € million, except for number of shares)</i>	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Other compre- nsive income	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
<b>At 31 March 2011</b>	<b>294,419,304</b>	<b>2,061</b>	<b>6 24</b>	<b>2,6 99</b>	<b>(1,324)</b>	<b>4,060</b>	<b>92</b>	<b>4,152</b>
Movements in other comprehensive income	-	-	-	-	(259)	<b>(259)</b>	(5)	<b>(264)</b>
Net income for the period	-	-	-	732	-	<b>732</b>	12	<b>744</b>
Total comprehensive income	-	-	-	732	(259)	<b>473</b>	7	<b>480</b>
Change in scope and other	3,799	-	-	(32)	-	<b>(32)</b>	21	<b>(11)</b>
Dividends paid	-	-	-	(183)	-	<b>(183)</b>	(13)	<b>(196)</b>
Capital reduction	(200,000)	(1)	(4)	-	-	<b>(5)</b>	-	<b>(5)</b>
Issue of ordinary shares under long term incentive plans	310,577	2	2	(1)	-	<b>3</b>	-	<b>3</b>
Recognition of equity settled share-based payments	-	-	-	11	-	<b>11</b>	-	<b>11</b>
<b>At 31 March 2012</b>	<b>294,533,6 80</b>	<b>2,062</b>	<b>6 22</b>	<b>3,226</b>	<b>(1,583)</b>	<b>4,327</b>	<b>107</b>	<b>4,434</b>
Movements in other comprehensive income	-	-	-	-	(191)	<b>(191)</b>	(1)	<b>(192)</b>
Net income for the period	-	-	-	802	-	<b>802</b>	16	<b>818</b>
Total comprehensive income	-	-	-	802	(191)	<b>611</b>	15	<b>626</b>
Change in scope and other	8	-	-	(54)	-	<b>(54)</b>	(19)	<b>(73)</b>
Dividends paid	-	-	-	(236)	-	<b>(236)</b>	(10)	<b>(246)</b>
Capital increase	13,133,208	92	251	-	-	<b>343</b>	-	<b>343</b>
Issue of ordinary shares under long term incentive plans	491,230	3	2	-	-	<b>5</b>	-	<b>5</b>
Recognition of equity settled share-based payments	-	-	-	15	-	<b>15</b>	-	<b>15</b>
<b>At 31 March 2013</b>	<b>308,158,126</b>	<b>2,157</b>	<b>875</b>	<b>3,753</b>	<b>(1,774)</b>	<b>5,011</b>	<b>93</b>	<b>5,104</b>

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

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**Note 1. Presentation of the Group**

Alstom (“the Group”) serves the power generation and transmission markets through its Thermal Power, Renewable Power and Grid Sectors, and the rail transport market through its Transport Sector. The Group 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.

The operational activities of the Group are organised in four Sectors:

**- Thermal Power**

Thermal Power offers a comprehensive range of power generation solutions using gas or coal from integrated power plants and all types of turbines, generators, boilers, emission control systems to a full range of services including plant modernisation, maintenance and operational support. The Sector also supplies conventional islands for nuclear power plants.

**- Renewable Power**

Renewable Power offers EPC solutions, turbines and generators, control equipment and maintenance for Hydro power and Wind power activities. The Sector includes geothermal and solar thermal businesses.

**- Grid**

The Grid Sector designs and manufactures equipment and engineered turnkey solutions to manage power grids and transmit electricity from the power plant to the large end-user, be it a distribution utility or an industrial process or production facility.

**- Transport**

The Transport Sector serves the urban transit, regional/intercity passenger travel markets and freight markets all over the world with rail transport products, systems and services.

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 6 May 2013. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 2 July 2013.

**Note 2. Accounting policies****2.1 Basis of preparation of the consolidated financial statements**

Alstom consolidated financial statements for the year ended 31 March 2013 have been prepared:

- in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the European Union and whose application was mandatory as of 1 April 2012;
- using the same accounting policies and measurement methods as at 31 March 2012, with the exceptions of changes required by the enforcement of new standards and interpretations as described below.

The information relating to consolidated financial statements for the fiscal year ended 31 March 2011, presented in the 2011/12 registration document D.12-0548 filed with the AMF on 25 May 2012 is included by reference.

The full set of standards endorsed by the European Union can be consulted on the website of the European Commission at:

[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

***2.1.1. Changes in accounting policies due to new, revised or amended standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2012***

The Group's consolidated financial statements are not significantly affected by the enforcement of the new, revised, or amended standards and interpretations becoming effective in the European Union starting from 1 April 2012:

- Amendments to IFRS 7, Disclosures - Transfers of financial assets: the amendments introduce new disclosure requirements about transfers of financial assets such as transactions involving securitisation of financial assets or factoring of trade receivables.

***2.1.2. New standards and interpretations not yet mandatorily applicable******2.1.2.1 New standards and interpretations endorsed by the European Union not yet mandatorily applicable***

- **Amendment to IAS 1, Presentation of items of other comprehensive income**

Since 1 April 2011, the Group applies the amendment to IAS 1, Presentation of items of other comprehensive income by anticipation. This amendment requests the distinction between comprehensive income elements that will be reclassified in profit or loss and elements that will not. This amendment does not have a material impact on the presentation of the Group's published consolidated statement of comprehensive income.



- **Amendment to IAS 19, Employee benefits**

The Group has not opted for an early application of the amendment to IAS 19, Employee benefits, which effective date is 1 April 2013 for Alstom.

This amendment eliminates the option of applying the corridor approach for post-employment benefits, as a result, all actuarial gains and losses will be recognized immediately in liabilities and will be recorded for each period systematically in "other comprehensive income". Furthermore, past service costs will be also recognized immediately in liabilities but will be recorded in the income statement. The amendment also specifies the calculation of the expected return on plan assets on the basis of the discount rate used to value the defined benefit obligation rather than on the basis of market expectations for returns.

The Group does not apply the corridor approach and already records all actuarial gains and losses in other comprehensive income. The retrospective application of this amendment will have an impact in equity estimated to (25) million euros in order to take into account any change of plans.

The calculation of the expected return on plan assets on the basis of the discount rate used to value the underlying obligation will increase the net financial expense. The Group is currently considering the impact of applying this amendment which is estimated to around (40) million euros on financial expenses and (30) million euros on net profit for the year 2012/13.

- **Standards on consolidation (IFRS 10, Consolidated Financial statements; IFRS 11, Joint arrangements; IFRS 12, Disclosure of interests in other entities; IAS 28 revised, Investments in associates and joint ventures)**

The Group has not opted for an early application of the consolidation standards (IFRS 10, IFRS 11, IFRS 12 and IAS 28 revised) endorsed by the European Union and which effective date is 1 April 2014 for Alstom.

The Group is carrying on the assessment of the impact of applying these new standards for the first time, in particular IFRS 10, Consolidated financial statements and IFRS 11, Joint arrangements.

- **IFRS 10, Consolidated financial statements**

This standard defines control as being exercised when an investor is exposed, or has rights, to variable returns from his involvement with the investee and has the ability to affect those returns through his power over the investee. The impact of applying this new standard on the consolidated financial statements is not expected to be significant.

- **IFRS 11, Joint arrangements**

The new standard mainly prescribes two different accounting treatments:

- Joint arrangements qualifying as joint operations will be recognised based on the proportion of assets, liabilities, revenue and expenses controlled by the Group. A joint operation may be conducted under a separate vehicle or not.
- Joint arrangements that are qualified as joint ventures will be accounted for using the equity method, because the parties have rights to the net assets of the arrangement.

The Group is currently analysing its jointly controlled entities in light of IFRS 11, Joint arrangements so as to determine if they shall be classified as joint operations or joint ventures.

Entities over which the Group exercises joint control consolidated until now according to the proportionate consolidation method and which should be classified as joint ventures according to the new rules should mainly concern Transport sector.

The Group is assessing the impact of applying this new standard. However, as the contribution of the jointly controlled entities to the Group's main financial indicators is currently not material, the impact on the consolidated financial statements is not expected to be significant.

- **IFRS 13, Fair value**

The Group has not opted for an early application of IFRS 13, Fair value which effective date is 1 April 2013 for Alstom.

IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy' which results in a market based, rather than entity specific, measurement. The impact of applying this new standard on the consolidated statement is not expected to be significant.

- **Amendments to IAS 32 and IFRS 7, Offsetting financial assets and financial liabilities**

The Group has not opted for an early application of these amendments endorsed by the European Union and which effective date is 1 April 2014 for Alstom.

These amendments provide clarification on the application of the offsetting rules and on the relative disclosures.

- **Improvements to IFRS s 2009-2011**

*2.1.2.2 New standards and interpretations not yet approved by the European Union and not yet mandatorily applicable*

- Financial instruments:
  - classification and measurement of financial assets (IFRS 9)
  - Mandatory effective date and transition guidance (amendments to IFRS 9 and IFRS 7)
- Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)
- Investments entities (amendments to IFRS 10, IFRS 12 and IAS 27)

The Group is currently considering the impact of applying these new standards for the first time.

## **2.2. Use of estimates**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make various estimates and to use assumptions regarded as realistic and reasonable. These estimates or assumptions could affect the value of the Group's assets, liabilities, equity, net income and contingent assets and liabilities at the closing date. Management reviews estimates on an on-going basis using information currently available. Actual results may differ from those estimates, due to changes in facts and circumstances.

The accounting policies most affected by the use of estimates are the following:

- **Revenue and margin recognition on construction and long-term service contracts and related provisions**

The Group recognises revenue and gross margin on construction and long-term service contracts using the percentage of completion method based on milestones; in addition, when a project review indicates a negative gross margin, the estimated loss at completion is immediately recognised.

Recognised revenue and margin are based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cost on a contract reflect management's current best estimate of the probable future benefits and obligations associated with the contract. Assumptions to calculate present and future obligations take into account current technology as well as the commercial and contractual positions,

assessed on a contract-by-contract basis. The introduction of technologically-advanced products exposes the Group to risks of product failure significantly beyond the terms of standard contractual warranties applicable to suppliers of equipment only.

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications, suppliers or subcontractors' failure to perform or delays caused by unexpected conditions or events. Warranty obligations are affected by product failure rates, material usage and service delivery costs incurred in correcting failures.

Although the Group makes individual assessments on contracts on a regular basis, there is a risk that actual costs related to those obligations may exceed initial estimates. Estimates of contract costs and revenues at completion in case of contracts in progress and estimates of provisions in case of completed contracts may then have to be re-assessed.

- **Estimate of provisions relating to litigations**

The Group identifies and analyses on a regular basis current litigations and measures, when necessary, provisions on the basis of its best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates take into account information available and different possible outcomes.

- **Valuation of deferred tax assets**

Management judgment is required to determine the extent to which deferred tax assets can be recognised. Future sources of taxable income and the effects of the Group global income tax strategies are taken into account in making this determination. This assessment is conducted through a detailed review of deferred tax assets by jurisdiction and takes into account past, current and future performance deriving from the existing contracts in the order book, the budget and the three-year plan, and the length of carry back, carry forwards and expiry periods of net operating losses.

- **Measurement of post-employment and other long-term defined employee benefits**

The measurement of obligations and assets related to defined benefit plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the expected return on plan assets, the rate of future compensation increases as well as withdrawal and mortality rates. If actuarial assumptions materially differ from actual results, it could result in a significant change in the employee benefit expense recognised in the income statement, actuarial gains and losses recognised in other comprehensive income and prepaid and accrued benefits.

**- Valuation of assets**

The discounted cash flow model used to determine the recoverable value of the groups of cash generating units to which goodwill is allocated includes a number of inputs including estimates of future cash flows, discount rates and other variables, and then requires significant judgment.

Impairment tests performed on intangible and tangible assets are also based on assumptions. Future adverse changes in market conditions or poor operating results from underlying assets could result in an inability to recover their current carrying value.

**- Inventories**

Inventories, including work in progress, are measured at the lower of cost and net realisable value. Write-down of inventories are calculated based on an analysis of foreseeable changes in demand, technology or market conditions in order to determine obsolete or excess inventories. If actual market conditions are less favourable than those projected, additional inventory write-downs may be required.

**2.3. Significant accounting policies*****2.3.1. Consolidation methods*****Subsidiaries**

Entities over which the Group exercises exclusive control are fully consolidated. Exclusive control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities, whether it holds shares or not.

Inter-company balances and transactions are eliminated.

Results of operations of subsidiaries acquired or disposed of during the year are recognised in the consolidated income statement as from the date of acquisition or up to the date of disposal, respectively.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the equity holders of the parent. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. In the absence of explicit agreements to the contrary, subsidiaries' losses are systematically allocated between equity holders of the parent and non-controlling interests based on their respective ownership interests even if this results in the non-controlling interests having a deficit balance.

**Interests in joint ventures**

Entities over which the Group exercises joint control are consolidated according to the proportionate consolidation method whereby the Group's share of the joint ventures' results, assets and liabilities is recorded in the consolidated financial statements. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Investments in associates**

Entities in which the Group exercises significant influence but not control, are accounted for under the equity method. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, including any goodwill arising and transaction costs. Earn-outs are initially recorded at fair value and adjustments recorded through cost of investment when their payments are probable and can be measured with sufficient reliability.

The Group's share of its associates' profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The impairment expense of investments in associates is recorded in the line "Share in net income of equity investments" of the income statement. Losses of an associate in excess of the Group's interest in that associate are not recognised, except if the Group has a legal or implicit obligation. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

In case of associates purchased by stage, the Group uses the cost method to account for changes from available for sales (AFS) category to associates.

***2.3.2 Translation of financial statements denominated in currencies other than euro***

Functional currency is the currency of the primary economic environment in which a reporting entity operates, which in most cases, corresponds to the local currency. However, some reporting entities may have a functional currency different from local currency when that other currency is used for the entity's main transactions and faithfully reflects its economic environment.

Assets and liabilities of entities whose functional currency is other than the euro are translated into euro at closing exchange rate at the end of each reporting period while their income and cash flow statements are translated at the average exchange rate for the period. The currency translation adjustments resulting from the use of different currency rates for opening balance sheet positions, transactions of the period and closing balance sheet positions are recorded in other comprehensive income. Translation adjustments are transferred to the consolidated income statement at the time of the disposal of the related entity.

Goodwill and fair value adjustments arising from the acquisition of entities whose functional currency is not euro are designated as assets and liabilities of those entities and therefore denominated in their functional currencies and translated at the closing rate at the end of each reporting period.

***2.3.3 Business combinations***

Business combinations completed between 1 January 2004 and 31 March 2010 have been recognised applying the provisions of the previous version of IFRS 3.

Business combinations completed from 1 April 2010 onwards are recognised in accordance with IFRS 3 Revised.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of fair values of the assets transferred and the liabilities incurred by the acquirer at the acquisition date and the equity-interest issued by the acquirer. The consideration transferred includes contingent consideration, measured and recognized at fair value, at the acquisition date.

For each business combination, any non-controlling interest in the acquiree may be measured either at the acquisition-date fair value, leading to the recognition of the non-controlling interest's share of goodwill (full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, resulting in recognition of only the share of goodwill attributable to equity holders of the parent (partial goodwill method).

Acquisition-related costs are recorded as an expense as incurred.

Goodwill arising from a business combination is measured as the difference between:

- the fair value of the consideration transferred for an acquiree plus the amount of any non-controlling interests of the acquiree; and
- the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

Initial estimates of consideration transferred and fair values of assets acquired and liabilities assumed are finalised within twelve months after the date of acquisition and any adjustments are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the income statement.

Earn-outs are initially recorded at fair value and adjustments made beyond the 12-month measurement period following the acquisition are systematically recognised through profit or loss.

Goodwill is not amortised but tested for impairment annually at closing date or more frequently if events or changes in circumstances indicate a potential impairment.

In case of a step-acquisition that leads to the Group acquiring control of the acquiree, the equity interest previously held by the Group is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

#### ***2.3.4. Segment information***

Operating segments used to present segment information are identified on the basis of internal reports used by the Chief Executive Officer (CEO) to allocate resources to the segments and assess their performance. There is no segment aggregation.

The Chief Executive Officer is the Group's "chief operating decisions maker" within the meaning of IFRS 8.

The methods used to measure the key performance indicators of the segments for internal reporting purposes are the same as those used to prepare the consolidated financial statements.



***2.3.5. Sales and costs generated by operating activities*****Measurement of sales and costs**

The amount of revenue arising from a transaction is usually determined by the contractual agreement with the customer. In the case of construction contracts, claims are considered in the determination of contract revenue only when it is highly probable that the claim will result in additional revenue and the amount can be reliably estimated.

Penalties are taken into account in reduction of contract revenue as soon as they are probable.

Production costs include direct costs (such as material, labour and warranty costs) and indirect costs. On the basis of funding required for the execution of contracts, borrowing costs may be attributed to construction contracts whose execution period exceeds one year. Warranty costs are estimated on the basis of contractual agreement, available statistical data and weighting of all possible outcomes against their associated probabilities. Warranty periods may extend up to five years. Selling and administrative expenses are excluded from production costs.

**Recognition of sales and costs**

Revenue on sale of manufactured products is recognised according IAS 18, i.e. essentially when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery. Revenue on short-term service contracts is recognised on performance of the related service. All production costs incurred or to be incurred in respect of the sale are charged to cost of sales at the date of recognition of sales.

Revenue on construction contracts and long-term service agreements is recognised based on the percentage of completion method: the stage of completion is assessed by milestones which ascertain the completion of a physical proportion of the contract work or the performance of services provided for in the agreement. The revenue for the period is the excess of revenue measured according to the percentage of completion over the revenue recognised in prior periods.

Cost of sales on construction contracts and long-term service agreements is computed on the same basis. The cost of sales for the period is the excess of cost measured according to the percentage of completion over the cost of sales recognised in prior periods. As a consequence, adjustments to contract estimates resulting from work conditions and performance are recognised in cost of sales as soon as they occur, prorated to the stage of completion.

When the outcome of a contract cannot be estimated reliably but the contract overall is expected to be profitable, revenue is still recognised based on milestones, but margin at completion is adjusted to nil.

When it is probable that contract costs at completion will exceed total contract revenue, the expected loss at completion is recognised immediately as an expense.

Bid costs are directly recorded as expenses when a contract is not secured.

With respect to construction contracts and long-term service agreements, the aggregate amount of costs incurred to date *plus* recognised margin *less* progress billings is determined on a contract-by-contract basis. If the amount is positive, it is included as an asset designated as “Construction contracts in progress, assets”. If the amount is negative, it is included as a liability designated as “Construction contracts in progress, liabilities”.

The caption “Construction contracts in progress, liabilities” also includes down payments received from customers.

### **Recognition of overhead expenses**

Research expenditure is expensed as incurred. Development costs are expensed as incurred unless the project they relate to meets the criteria for capitalisation (see Note 2.3.10). Selling and administrative expenses are expensed as incurred.

### ***2.3.6. Income from operations***

Income from operations is the indicator used by the Group to present the level of operational performance that can be used as part of an approach to forecast recurring performance. This complies with the recommendation 2009-R03 of the ANC, the French standard setter, on the format of financial statements of entities applying IFRS.

Income from operations includes gross margin, research and development expenditure, selling and administrative expenses. It includes in particular the service cost of employee defined benefits, the cost of share-based payments and employee profit sharing, foreign exchange gains or losses associated with operating transactions and capital gains (losses) on disposal of intangible and tangible assets arising from ordinary activities.

### ***2.3.7. Other income and other expense***

Other income and other expense are representative of items which are inherently difficult to predict due to their unusual, irregular or non-recurring nature.

Other income may include capital gains on disposal of investments or activities and capital gains on disposal of tangible and intangible assets arising from activities disposed of or facing restructuring plans as well as any income associated to past disposals.

Other expense include capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets arising from activities disposed of or facing restructuring plans as well as any costs associated to past disposals, restructuring costs, costs incurred to effect business combinations and amortisation expense of assets exclusively acquired in the context of business combinations (margin in backlog, customer relationship, margin on inventory), significant impairment losses on assets, litigation costs that have arisen outside the ordinary course of business and a portion of post-employment and other long-term defined benefit expense (amortisation of unrecognised prior service cost, impacts of curtailments and settlements and amortisation of actuarial gains and losses referring to long-term benefits other than post-employment benefits).

### ***2.3.8. Financial income and expense***

Financial income and expense include:

- Interest income representing the remuneration of the cash position,
- Interest expense related to the financial debt (financial debt consists of bonds, the debt component of compound instruments, other borrowings and lease-financing liabilities);
- Other expenses paid to financial institutions for financing operations;
- The financial component of the cost of employee defined benefits (interest cost and expected return on assets);
- Foreign exchange gains and losses associated to financing transactions;
- Other income or expense from cash and cash equivalents and marketable securities.

### ***2.3.9. Foreign currency transactions***

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency of the reporting unit and the foreign currency at the date of the transaction. Currency units held, assets to be received and liabilities to be paid resulting from those transactions are re-measured at closing exchange rates at the end of each reporting period. Realised exchange gains or losses at date of payment as well as unrealised gains or losses deriving from re-measurement are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

Since the Group is exposed to foreign currency volatility, the Group puts in place a significant volume of hedges to cover this exposure. These derivatives are recognised on the balance sheet at their fair value at the closing date. Providing that the relationships between the foreign currency exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. A relationship qualifies for hedge

accounting if, at the inception of the hedge, it is formally designated and documented and if it proves to be highly effective throughout the financial reporting periods for which the hedge was designated.

Hedging relationships may be of two types:

- Cash flow hedge in case of hedge of the exposure to variability of cash flows attributable to highly probable forecast transactions;
- Fair value hedge in case of hedge of the exposure attributable to recognised assets, liabilities or firm commitments.

### **Cash flow hedge**

When cash flow hedge accounting applies, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the forecast transaction results in the recognition of a financial asset or liability, the amounts previously recognised directly in other comprehensive income are recycled into the income statement. When the forecast transaction results in the recognition of a non financial asset or liability (for instance, inventories or construction contracts in progress), the gain or loss that was directly recognised in other comprehensive income is included in the carrying amount of the asset or liability.

### **Fair value hedge**

When fair value hedge accounting applies, changes in the fair value of derivatives and changes in the fair value of hedged items are both recognised in the income statement and offset each other up to the gain or loss on the effective portion on the hedging instrument.

Whatever the type of hedge, the ineffective portion on the hedging instrument is recognised in the income statement. Realised and unrealised exchange gains and losses on hedged items and hedging instruments are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

As the effective portion on the hedging instrument offsets the difference between the spot rate at inception of the hedge and the effective spot rate at the outcome of the hedge, sales and costs resulting from commercial contracts are recognised at the spot rate at inception of the hedge throughout the life of the related commercial contracts, provided that the corresponding hedging relationships keep on qualifying for hedge accounting.

The Group uses export insurance policies to hedge its currency exposure on certain contracts during the open bid period. When commercial contracts are awarded, insurance instruments are settled and forward contracts are put in place and recorded according the fair value hedge accounting as described above.

### ***2.3.10. Intangible assets***

Intangible assets include acquired intangible assets (such as technology and licensing agreements) and internally generated intangible assets (mainly development costs).

#### **Acquired intangible assets**

Acquired intangible assets are initially measured at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives can extend to twenty years due to the long-term nature of the underlying contracts and activities. The amortisation expense of assets acquired through ordinary transactions is recorded in cost of sales, research and development expenditure, selling expenses or administrative expenses, based on the function of the underlying assets. The amortisation expense of assets exclusively acquired in the context of a business combination (margin in backlog, customer relationship) is recognised as other expense.

#### **Internally generated intangible assets**

Development costs are capitalised if and only if the project they relate to meets the following criteria:

- The project is clearly defined and its related costs are separately identified and reliably measured,
- The technical feasibility of the project is demonstrated,
- The intention exists to complete the project and to use or sell it,
- Adequate technical and financial resources are available to complete the project,
- It is probable that the future economic benefits attributable to the project will flow to the Group.

Capitalised development costs are costs incurred directly attributable to the project (materials, services, fees...), including an appropriate portion of relevant overheads.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset. The amortisation charge is reported in research and development expenses.

**2.3.11. Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. When an item of property, plant and equipment is made up of components with different useful lives, the total cost is allocated between the various components. Components are then separately depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of each component. The useful lives most commonly used are the following:

	Estimated useful life in years
Buildings	7-40
Machinery and equipment	3-25
Tools, furniture, fixtures and others	1-10

Useful lives are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis. The depreciation expense is recorded in cost of sales, selling expenses or administrative expenses, based on the function of the underlying assets.

Borrowing costs that are attributable to an asset whose construction period exceeds one year are capitalised as part of the costs of the asset until the asset is substantially ready for use or sale.

Property, plant and equipment acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised. They are recognised at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financing obligation. Lease payments are apportioned between finance charges and repayment of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the term of the relevant lease, when shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised on a straight-line basis over the lease term.

***2.3.12. Impairment of goodwill, tangible and intangible assets***

Assets that have an indefinite useful life – mainly goodwill and intangible assets not yet ready to use - are not amortized but tested for impairment at least annually or when there are indicators that they may be impaired. Other intangible and tangible assets subject to amortization are tested for impairment only if there are indicators of impairment.

The impairment test methodology is based on a comparison between the recoverable amount of an asset and its net carrying value. If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised immediately in the income statement. In the case of goodwill allocated to a group of CGUs, the impairment loss is allocated first to reduce the carrying amount of goodwill and then to the other assets on a pro-rata basis of the carrying amount of each asset.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. If an asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined for a cash-generating unit.

For internal management purposes, goodwill acquired in a business combination is monitored at the level of the Sectors as defined in Note 1: therefore goodwill is tested for impairment at the level of the group of cash-generating units constituting each Sector.

The recoverable amount is the higher of fair value less costs to sell and value in use. The value in use is elected as representative of the recoverable value. The valuation performed is based upon the Group's internal three-year business plan. Cash flows beyond this period are estimated using a perpetual long-term growth rate for the subsequent years. The recoverable amount is the sum of the discounted cash flows and the discounted terminal residual value. Discount rates are determined using the weighted-average cost of capital of each Sector.

Impairment losses recognised in respect of goodwill cannot be reversed. The impairment losses recognized in respect of other assets than goodwill may be reversed in a later period and recognized immediately in the income statement. The carrying amount is increased to the revised estimate of recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized in prior years.

**2.3.13. Financial assets****Loans and deposits**

Loans are initially measured at their fair value, plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Deposits are reported as financial assets when their initial maturity is more than three months and as cash and cash equivalents in case of demand deposits or when the initial maturity is less than three months.

If there is any indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded as a financial expense. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported as a financial income.

**Investments and debt securities**

Investments in non-consolidated companies are designated as available-for-sale financial assets. They are initially measured at their fair value, plus directly attributable transaction costs and subsequently re-measured at fair value.

The fair value of listed securities is the market value at the closing date. A valuation model is used in case of unlisted securities. Changes in fair value are directly recognised in other comprehensive income until the security is disposed of or is determined to be impaired. On disposal or in case of significant or prolonged decline in the fair value, the cumulative gain or loss previously recognised in other comprehensive income is included in the profit or loss for the period. Unlike impairment losses recognised in respect of investments in a debt instrument, impairment losses recognised in respect of investments in equity instruments cannot be reversed through profit and loss.

When the fair value cannot be determined reliably, investments in non-consolidated companies are measured at cost. Any impairment loss recognised for such investment is not reversed in a subsequent period, except when disposed of.

All debt securities that the Group has the expressed intention and ability to hold to maturity are designated as held-to-maturity financial assets. They are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect amounts expected not to be recoverable. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the investment's carrying value and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses may be reversed through profit and loss in subsequent periods.



Marketable securities are securities held for trading which cannot be considered as cash and cash equivalents. They are designated as financial asset at fair value through profit or loss. Changes in fair value are reported as financial income or expense.

**Derivative financial instruments**

Derivative financial instruments are recognised and re-measured at fair value (see Note 2.3.9 for foreign currency hedging instruments and Note 2.3.19 for interest rate derivatives).

**Receivables**

Receivables are initially recognised at fair value, which in most cases approximates the nominal value. If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded within income from operations. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported within income from operations.

***2.3.14. Inventories***

Raw materials and supplies, work in progress and finished products are stated at the lower of cost, using the weighted average cost method, or net realisable value. Inventory cost includes direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

***2.3.15. Cash and cash equivalents***

Cash and cash equivalents consist of cash and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**2.3.16. Taxation**

The group computes taxes in accordance with prevailing tax legislation in the countries where income is taxable.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Temporary differences arising between the carrying amount and the tax base of assets and liabilities, unused tax losses and unused tax credits are identified for each taxable entity (or each tax group when applicable). Corresponding deferred taxes are calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the asset is realised or the liability settled.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the deductible differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of certain taxable temporary differences between the Group's share in the net assets in subsidiaries, joint ventures and associates and their tax bases. The most common situation when such exception applies relates to undistributed profits of subsidiaries where distribution to the shareholders would trigger a tax liability: when the Group has determined that profits retained by the subsidiary will not be distributed in the foreseeable future, no deferred tax liability is recognised.

Deferred tax assets and liabilities are offset when both of the following conditions are met:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Deferred tax is charged or credited to net income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is classified in other comprehensive income.

### ***2.3.17. Provisions***

As long as a construction contract or a long-term service agreement is in progress, obligations attributable to such a contract are taken into account in the assessment of the margin to be recognised and are therefore reported within the accounts “Construction contracts in progress, assets” or “Construction contracts in progress, liabilities”.

Upon completion of the contract, such obligations are recognised as distinct liabilities when they satisfy the following criteria:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation;
- and
- such outflow can be reliably estimated.

These liabilities are presented as provisions when they are of uncertain timing or amount. When this uncertainty is dispelled, they are presented as trade payables or other current liabilities.

Obligations resulting from transactions other than construction contracts and long-term service agreements are directly recognised as provisions as soon as the above-mentioned criteria are met.

Where the effect of the time value of money is material, provisions are measured at their present value.

Restructuring provisions are made when plans to reduce or close facilities, or to reduce the workforce have been finalised and approved by the Group management and have been announced before the balance sheet date, resulting in an obligation of the Group to third parties. Restructuring costs include employees’ severance and termination benefits and estimated facility closing costs. In addition to such provisions, restructuring costs may include asset write-off relating to the restructured activities.

***2.3.18. Financial liabilities*****Bonds and borrowings**

Bonds and interest-bearing bank loans are initially recognised at fair value, less any transaction costs directly attributable to the issuance of the liability. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

**Derivative financial instruments**

Derivative financial instruments are recognised and re-measured at fair value (see Note 2.3.9 for foreign currency hedging instruments and Note 2.3.19 for interest rate hedging instruments).

**Payables**

Payables are initially recognised at fair value, which in most cases approximates the nominal value. They are subsequently re-measured at amortised cost.

***2.3.19. Interest rate derivatives***

The Group may enter into hedges for the purpose of managing its exposure to movements in interest rates. Derivatives are recognised on the balance sheet at fair value at the closing date. Providing that the relationships between the interest rate exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. Fair value hedge accounting and cash flow hedge accounting are applied to fixed and floating rate borrowings, respectively.

In the case of fair value hedge relationships, the re-measurement of the fixed rate borrowing is offset in the income statement by the movement in the fair value of the derivative up to the effective part of hedged risk. In the case of cash flow hedge relationships, the change in fair value of the derivative is recognised directly in other comprehensive income. When the forecast transaction results in the recognition of a monetary item, the amounts previously recognised directly in other comprehensive income are reclassified to the income statement.

***2.3.20. Share-based payments***

The Group issues equity-settled and cash-settled share-based payments to certain employees.

**Equity-settled share-based payments**

Equity-settled share-based payments are measured at fair value at the grant date (excluding the effect of non-market-based conditions) using the binomial pricing model or the Black-Scholes model for plans issued from 2009. The cumulative recognised expense is based on the fair value at grant date and on the estimated number of shares that will eventually vest (including the effect of non-market-based vesting conditions). It is recorded in income from operations throughout the vesting period with a counterpart in equity.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

**Cash-settled share-based payments**

For cash-settled share-based payments, a liability equal to the portion of the goods or services rendered is recognised at the current fair value. The fair value is remeasured at each balance-sheet date and at the date of settlement, with any changes recognised in the income statement.

The Group may also provide employees with the ability to purchase the Group's ordinary shares at a discounted price compared to that of the current market value. In that case, the Group records an expense based on the discount given and its estimate of the shares expected to vest.

***2.3.21. Post-employment and other long-term defined employee benefits***

The Group provides its employees with various types of post-employment benefits, such as pensions, retirement bonuses and medical care, and other long-term benefits, such as jubilee awards and deferred compensation schemes. The type of benefits offered to individual employees is related to local legal requirements as well as practices of the specific subsidiaries.

The Group's health care plans are generally contributory with participants' contributions adjusted annually.

**Post-employment defined benefit plans**

For single employer defined benefit plans, the Group uses the Projected Unit Credit Method to determine the present value of its obligations and the related current and past service costs/profits. This method considers the actuarial assumptions' best estimates (for example, the expected turnover, the expected future salary increase and the expected mortality).

Most defined benefit pension liabilities are funded through pension funds legally distinct from the entities constituting the Group. Plan assets related to funded plans are invested mainly in equity and debt securities. Other supplemental pension plans sponsored by the Group for certain employees are directly paid by the employer as they become due. Post-employment medical benefit plans are predominantly unfunded.

The Group periodically reviews plan assets and obligations. The effects of any change in actuarial assumptions together with the differences between forecast and actual experience are assessed. The Group recognises in other comprehensive income the full amount of any actuarial gains and losses as well as the effect of any asset ceiling.

The estimated cost of providing defined benefits to employees is accrued during the years in which the employees render services. In the income statement, the service cost is included in the income from operations. The amortisation of unrecognised prior service cost/profit and specific events impacts (e.g. curtailments) are recognised in other expense. Interest cost and expected return on assets are included in financial income (expenses).

The Group also participates in multi-employer defined benefit plans, mainly in the United States and Canada. As corresponding funds are not able to provide sufficient information to use defined benefit accounting, these plans are accounted for as defined contribution plans (see below).

**Post-employment defined contribution plans**

For defined contribution plans, the Group pays contributions to independently administered funds at a fixed percentage of employees' pay. These contributions are recorded as operating expenses.

**Other long-term employee benefits**

The accounting method used when recognising obligations arising from other long-term employee benefits is similar to the method used for post-employment defined benefits, except that prior service cost and actuarial gains/losses are immediately recognised in full in "other income/expense" in the income statement.

**2.3.22. Off balance sheet commitments****Commitments arising from execution of operations controlled by the Group**

In the ordinary course of business, the Group is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations). Obligations may also arise from leases and regulations in respect of tax, custom duties, environment, health and safety. These obligations may or may not be guaranteed by bonds issued by banks or insurance companies.

As the Group is in a position to control the execution of these obligations, a liability only arises if an obligating event (such as a dispute or a late completion) has occurred and makes it likely that an outflow of resources will occur.

When the liability is considered as only possible but not probable or, when probable, cannot be reliably measured, it is disclosed as a contingent liability.

When the liability is considered as probable and can be reliably measured, the impact on the financial statements is the following:

- if the additional liability is directly related to the execution of a customer contract in progress, the estimated gross margin at completion of the contract is reassessed; the cumulated margin recognised to date based on the percentage of completion and the accrual for future contract loss, if any, are adjusted accordingly,
- if the additional liability is not directly related to a contract in progress, a liability is immediately recognised on the balance sheet.

The contractual obligations of subcontractors towards the Group are of the same nature as those of the Group towards its customers. They may be secured by the same type of guarantees as those provided to the Group's customers.

No contingent asset is disclosed when the likelihood of the obligation of the third party remains remote or possible. A contingent asset is disclosed only when the obligation becomes probable.

Any additional income resulting from a third party obligation is taken into account only when it becomes virtually certain.

**Commitments arising from execution of operations not wholly within the control of the Group**

Obligations towards third parties may arise from on-going legal proceedings, credit guarantees covering the financial obligations of third parties in cases where the Group is the vendor, and indemnification guarantees issued in connection with disposals of business entities.

In case of legal proceedings, a contingent liability is disclosed when the liability is considered as only possible but not probable, or, when probable, cannot be reliably measured. In case of commitments arising from guarantees issued, contingent liabilities are disclosed as soon as guarantees have been delivered and as long as they have not matured.

A provision is recorded if the obligation is considered as probable and can be reliably measured.

Contingent assets arising from legal proceedings or guarantees delivered by third parties are only disclosed when they become probable.

***2.3.23. Earnings per share***

Basic earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds reimbursable with shares, by the weighted average number of outstanding shares during the period increased by the weighted average number of shares to be issued on reimbursement of bonds reimbursable with shares ("ORA").

Diluted earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds reimbursable with shares, by the weighted average number of outstanding shares during the period adjusted in order to take into consideration all dilutive instruments (ORA, stock options, free shares).



**Note 3. Scope of consolidation****Transmashholding**

On 27 May 2011, Alstom finalised its partnership agreement with Transmashholding ("TMH"), the leading Russian rail manufacturer, by acquiring a 25% stake (plus one share) of the Breakers Investments B.V., which holds 100% of Transmashholding. The deal was closed after Alstom received all approvals of the appropriate Russian authorities.

Alstom share in the Breakers Investments B.V. group is an investment in associates and is therefore accounted in accordance with the equity method.

Pursuant to the closing of the deal, Alstom made, during the fiscal year ended 31 March 2012, an initial payment of \$75 million (€54 million) to the selling shareholders. The remainder of the price was calculated using a computation method based on TMH operating results over a four-year period (2008-2011) and net debt. It was paid in October 2012 for an amount of \$347 million (€253 million).

In accordance with IAS 28, the Group has recognised its share in the net fair values of the associate's identifiable assets acquired and liabilities assumed at the acquisition date. The valuation of assets acquired and liabilities assumed at their fair value has resulted in the recognition of new intangible assets (order backlog margin and customer relationships) and the re-measurement of tangible assets, inventories and liabilities. This valuation was finalised on 27 May 2012. The resulting goodwill amounts to €117 million and is included in the carrying amount of the investment.

**BrightSource Energy**

On 25 October 2012, Alstom has invested \$40 million in the American company BrightSource Energy, Inc to reinforce its partnership with the solar power pioneering company. Since its initial investment in 2010, Alstom has progressively increased its investment and now holds more than 20% of the capital.

Since that date, BrightSource Energy Inc has been consolidated under the equity method. Accordingly, a preliminary valuation has been determined as at 25 October 2012. The fair value of assets acquired and liabilities assumed may be subsequently adjusted during a maximum of 12 months from the date the investment becomes an associate, depending on new information obtained about the facts and circumstances existing at the acquisition date.

## Note 4. Segment information

### 4.1 Key indicators by operating segment

At 31 March 2013

(in € million)	Thermal Power	Renewable Power	Grid	Transport	Corporate & others	Eliminations	Total
Sales	9,252	1,808	3,922	5,461	-	(174)	20,269
Inter Sector eliminations	(73)	(5)	(93)	(3)	-	174	-
<b>Total Sales</b>	<b>9,179</b>	<b>1,803</b>	<b>3,829</b>	<b>5,458</b>	-	-	<b>20,269</b>
<b>Income (loss) from operations</b>	<b>959</b>	<b>88</b>	<b>238</b>	<b>297</b>	<b>(119)</b>	-	<b>1,463</b>
<b>Earnings (loss) before interest and taxes</b>	<b>915</b>	<b>(10)</b>	<b>140</b>	<b>287</b>	<b>(145)</b>	-	<b>1,187</b>
Financial income (expense)							(223)
Income tax							(193)
Share in net income of equity investments							47
<b>Net profit</b>							<b>818</b>
<b>Segment assets <sup>(1)</sup></b>	<b>10,835</b>	<b>3,106</b>	<b>5,462</b>	<b>6,648</b>	<b>1,227</b>	-	<b>27,278</b>
Deferred taxes (assets)							1,711
Prepaid employee defined benefit costs							10
Financial assets							2,613
<b>Total assets</b>							<b>31,612</b>
<b>Segment liabilities <sup>(2)</sup></b>	<b>8,571</b>	<b>1,906</b>	<b>3,280</b>	<b>4,724</b>	<b>1,146</b>	-	<b>19,627</b>
Deferred taxes (liabilities)							284
Accrued employee defined benefit costs							1,642
Financial debt							4,955
Total equity							5,104
<b>Total equity and liabilities</b>							<b>31,612</b>
<b>Capital employed <sup>(3)</sup></b>	<b>2,264</b>	<b>1,200</b>	<b>2,182</b>	<b>1,924</b>	<b>81</b>	-	<b>7,651</b>
<b>Capital expenditure</b>	<b>(238)</b>	<b>(166)</b>	<b>(113)</b>	<b>(175)</b>	<b>(46)</b>	-	<b>(738)</b>
<b>Depreciation and amortisation in EBIT</b>	<b>225</b>	<b>34</b>	<b>134</b>	<b>125</b>	<b>44</b>	-	<b>562</b>

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates 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.

(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

(3) Capital employed corresponds to segment assets *minus* segment liabilities.

## At 31 March 2012

(in € million)	Thermal Power	Renewable Power	Grid	Transport	Corporate & others	Eliminations	Total
Sales	8,771	2,039	4,060	5,171	-	(107)	19,934
Inter Sector eliminations	(45)	(12)	(47)	(3)	-	107	-
<b>Total Sales</b>	<b>8,726</b>	<b>2,027</b>	<b>4,013</b>	<b>5,168</b>	-	-	<b>19,934</b>
<b>Income (loss) from operations</b>	850	150	248	264	(106)	-	1,406
<b>Earnings (loss) before interest and taxes</b>	<b>824</b>	<b>149</b>	<b>83</b>	<b>222</b>	<b>(206)</b>	-	<b>1,072</b>
Financial income (expense)							(177)
Income tax							(179)
Share in net income of equity investments							28
<b>Net profit</b>							<b>744</b>
<b>Segment assets <sup>(1)</sup></b>	<b>11,570</b>	<b>2,674</b>	<b>5,197</b>	<b>5,778</b>	<b>1,814</b>	-	<b>27,033</b>
Deferred taxes (assets)							1,472
Prepaid employee defined benefit costs							12
Financial assets							2,530
<b>Total assets</b>							<b>31,047</b>
<b>Segment liabilities <sup>(2)</sup></b>	<b>9,500</b>	<b>1,630</b>	<b>3,058</b>	<b>4,375</b>	<b>1,435</b>	-	<b>19,998</b>
Deferred taxes (liabilities)							176
Accrued employee defined benefit costs							1,417
Financial debt							5,022
Total equity							4,434
<b>Total equity and liabilities</b>							<b>31,047</b>
<b>Capital employed <sup>(3)</sup></b>	<b>2,070</b>	<b>1,044</b>	<b>2,139</b>	<b>1,403</b>	<b>379</b>	-	<b>7,035</b>
<b>Capital expenditure</b>	<b>(264)</b>	<b>(179)</b>	<b>(140)</b>	<b>(188)</b>	<b>(42)</b>	-	<b>(813)</b>
<b>Depreciation and amortisation in EBIT</b>	<b>223</b>	<b>45</b>	<b>209</b>	<b>138</b>	<b>41</b>	-	<b>656</b>

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates 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.

(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

(3) Capital employed corresponds to segment assets *minus* segment liabilities.

## 4.2 Key indicators by geographic area

### Sales by country of destination

(in € million)	Year ended	
	31 March 2013	31 March 2012
Western Europe	6,571	7,077
<i>thereof France</i>	<i>2,168</i>	<i>2,136</i>
Eastern Europe	1,953	1,352
North America	2,583	2,440
<i>thereof USA</i>	<i>1,689</i>	<i>1,630</i>
South & Central America	1,561	1,752
Asia & Pacific	4,478	4,316
Middle East & Africa	3,123	2,997
<b>Total Group</b>	<b>20,269</b>	<b>19,934</b>

### Non-current assets by country of origin

(in € million)	At 31 March	At 31 March
	2013	2012
Western Europe <sup>(1)</sup>	9,280	8,704
<i>thereof France</i> <sup>(2)</sup>	<i>2,957</i>	<i>2,832</i>
Eastern Europe	245	310
North America	707	771
<i>thereof USA</i>	<i>588</i>	<i>670</i>
South & Central America	201	188
Asia & Pacific	885	885
Middle East & Africa	46	36
<b>Total Group</b>	<b>11,364</b>	<b>10,894</b>

(1) This amount includes goodwill of Thermal Power & Renewable Power Sectors.

(2) This amount includes goodwill of Grid Sector.

Non-current assets by country of origin are defined as non-current assets other than those related to financial debt, to employee defined benefit plans and deferred tax assets.

### 4.3 Information about major customers

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

**Note 5. Research and development expenditure**

(in € million)	Year ended	
	31 March 2013	31 March 2012
<b>Research and development expenses</b>	<b>(737)</b>	<b>(682)</b>
Developments costs capitalised during the period (see Note 10.2)	(233)	(293)
Amortisation expense of capitalised development costs (see Note 10.2)	82	113
Amortisation of acquired technology (see Note 10.2)	94	82
<b>Total research and development expenditure</b>	<b>(794)</b>	<b>(780)</b>

During the fiscal year ended 31 March 2013, the Group invested €794 million in research and development to develop new technologies and to extend its existing product offering. These research and development programmes relate mainly to:

- the ongoing upgrade of the range of gas turbines and the incremental performance improvements of nuclear steam turbines,
- the adaptation of Transport sector product offering to the clients' needs,
- the development of Haliade offshore wind turbines,
- the development of Super Grid and Smart Grid technologies.

**Note 6. Other income and other expense**

(in € million)	Year ended	
	31 March 2013	31 March 2012
Capital gains on disposal of businesses	6	-
Other	-	3
<b>Other income</b>	<b>6</b>	<b>3</b>
Capital losses on disposal of businesses	(50)	(2)
Restructuring costs	(137)	(83)
Expenses exclusively incurred in the context of business combinations	(45)	(156)
Other	(50)	(96)
<b>Other expense</b>	<b>(282)</b>	<b>(337)</b>
<b>Other income (expense)</b>	<b>(276)</b>	<b>(334)</b>

Restructuring costs derive from the adaptation of the Group's footprint in order to take into account the lower demand in developed countries (Europe and USA) and the situation of global overcapacity faced in some segments.

Expenses exclusively incurred in the context of business combinations comprise the amortisation of acquired margin related to Grid's acquisition and the costs incurred to effect the acquisition of Grid.

Other income and other expense mainly derive from components of the post-employment and other long term defined benefit expense, costs of legal proceedings that have arisen outside the ordinary course of business and non-recurring impairment losses on assets.

**Note 7. Financial income (expense)**

(in € million)	Year ended	
	31 March 2013	31 March 2012
Interest income	29	37
Other financial income	7	18
<b>Financial income</b>	<b>36</b>	<b>55</b>
Interest expense	(194)	(179)
Net financial expense from employee defined benefit plans	(27)	(4)
Net exchange loss	(5)	(11)
Other financial expenses	(33)	(38)
<b>Financial expense</b>	<b>(259)</b>	<b>(232)</b>
<b>Financial income (expense)</b>	<b>(223)</b>	<b>(177)</b>
<i>Out of which</i>		
Financial income/(expense) arising from Financial instruments (see Note 25)	(195)	(173)

Interest income of €29 million represents the remuneration of the Group's cash positions over the period.

Interest expense of €(194) million represents the cost of the gross financial debt.

Other financial expense of €(33) million incorporates fees and commitment fees paid on guaranteed facilities, syndicated loans and other financing facilities for €(19) million versus €(15) million for the fiscal year ended 31 March 2012.

**Note 8. Taxation****8.1 Analysis of income tax charge**

The following table summarises the components of income tax charge for the years ended 31 March 2013 and 2012:

(in € million)	Year ended	
	31 March 2013	31 March 2012
Current income tax charge	(266)	(273)
Deferred income tax charge	73	94
<b>Income tax charge</b>	<b>(193)</b>	<b>(179)</b>
Effective tax rate	20%	20%

The geographical mix of income before taxes has enabled the Group to maintain the effective tax rate to 20% for the period ended 31 March 2013. Note that, although the rate has been stable over the last years, it may change from one year to another notably based on the following events:

- the geographical mix of income before taxes,
- the Group's ability to recognise new deferred tax assets and to use its tax loss carry forwards and,
- the outcome of income tax audits.



## 8.2 Effective income tax rate

The following table provides a reconciliation from the income tax charge valued at the French statutory rate to the actual income tax charge for the years ended 31 March 2013 and 2012:

(in € million)	Year ended	
	31 March 2013	31 March 2012
<b>Pre-tax income</b>	<b>964</b>	<b>895</b>
Statutory income tax rate of the parent company	34.43%	34.43%
<b>Expected tax charge</b>	<b>(332)</b>	<b>(308)</b>
Impact of:		
- Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	144	105
- Transactions liable for reduced tax rate	(20)	11
- Changes in unrecognised deferred tax assets	2	(69)
- Changes in tax rates	(10)	(7)
- Additional tax expenses (withholding tax, CVAE in France and IRAP in Italy)	(68)	(73)
- Permanent differences and other <sup>(*)</sup>	91	162
<b>Income tax charge</b>	<b>(193)</b>	<b>(179)</b>
Effective tax rate	20%	20%

(\*) including operations of internal reorganisation

## 8.3 Deferred tax assets and liabilities

(in € million)	At 31 March	At 31 March
	2013	2012
Deferred tax assets	1,711	1,472
Deferred tax liabilities	(284)	(176)
<b>Deferred tax assets, net</b>	<b>1,427</b>	<b>1,296</b>

#### 8.4 Changes in net deferred tax assets

Net deferred tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table summarises the significant components of the Group's net deferred tax assets as of 31 March 2013 and 2012:

	At 31 March 2012	Change in P&L	Change in equity (*)	Changes in consolidation scope	Translati on adjustme nts and other changes	At 31 March 2013
(in € million)						
Differences between carrying amount and tax basis of tangible and intangible assets	(21)	(24)	-	11	(37)	(71)
Accruals for employee benefit costs not yet deductible	242	(16)	55	-	(3)	278
Provisions and other accruals not yet deductible	500	53	-	-	(37)	516
Differences in recognition of margin on construction contracts	(279)	48	-	-	98	(133)
Tax loss carry forwards	1,035	(106)	-	-	(51)	878
Other	(181)	118	(2)	(4)	28	(41)
<b>Net deferred tax assets/(liabilities)</b>	<b>1,296</b>	<b>73</b>	<b>53</b>	<b>7</b>	<b>(2)</b>	<b>1,427</b>

(\*) Mainly related to actuarial gains and losses directly recognised in equity (see consolidated statement of comprehensive income).

	At 31 March 2011	Change in P&L	Change in equity (*)	Acquisitio ns through business combinat ions	Translati on adjustme nts and other changes	At 31 March 2012
(in € million)						
Differences between carrying amount and tax basis of tangible and intangible assets	(13)	(13)	-	-	5	(21)
Accruals for employee benefit costs not yet deductible	213	(15)	31	1	12	242
Provisions and other accruals not yet deductible	500	(1)	-	-	1	500
Differences in recognition of margin on construction contracts	(299)	11	-	-	9	(279)
Tax loss carry forwards	911	177	-	(5)	(48)	1,035
Other	(113)	(65)	4	15	(22)	(181)
<b>Net deferred tax assets/(liabilities)</b>	<b>1,199</b>	<b>94</b>	<b>35</b>	<b>11</b>	<b>(43)</b>	<b>1,296</b>

(\*) Mainly related to actuarial gains and losses directly recognised in equity (see consolidated statement of comprehensive income).

The Group is satisfied as to the recoverability of its recognised net deferred tax assets at 31 March 2013 (€1,427 million) on the basis of an extrapolation of the last three-year business plan and the strategy for the long-term recovery of tax losses in each country.

Deferred tax assets still unrecognised amount to €1,255 million at 31 March 2013 (€1,225 million at 31 March 2012). Most of these unrecognised deferred taxes are originated from tax loss carry forward (€1,052 million at 31 March 2013 and €827 million at 31 March 2012), out of which €491 million are not subject to expiry at 31 March 2013 (€500 million at 31 March 2012).

**Note 9. Earnings per share****9.1 Earnings**

(in € million)	Year ended	
	31 March 2013	31 March 2012
Net profit attributable to equity holders of the parent	802	732
<b>Earnings attributable to equity holders of the parent used to calculate basic and diluted earnings per share</b>	<b>802</b>	<b>732</b>

**9.2 Number of shares**

	Year ended	
	31 March 2013	31 March 2012
<b>Weighted average number of ordinary shares used to calculate basic earnings per share</b>	<b>301,376,784</b>	<b>294,522,251</b>
Effect of dilutive instruments other than bonds reimbursables with shares:		
- Stock options and free shares <sup>(*)</sup> (LTI plan)	2,724,963	2,962,692
- Free shares (Alstom Sharing plans)	226,044	225,727
<b>Weighted average number of ordinary shares used to calculate diluted earnings per share</b>	<b>304,327,791</b>	<b>297,710,670</b>

*(\*) Stock options taken into consideration in the calculation of the diluted earnings per share only relate to plans 7,8 and 14, plans 9, 10, 12, 13 and 15 being out of the money as at 31 March 2013.*

**9.3 Earnings per share**

(in € )	Year ended	
	31 March 2013	31 March 2012
- Basic earnings per share	2.66	2.49
- Diluted earnings per share	2.64	2.46

**Note 10. Goodwill and intangible assets**

Goodwill and intangible assets are reviewed for impairment at least annually and whenever events or circumstances indicate that they might be impaired. Such events or circumstances are related to significant, unfavourable changes that are of a lasting nature and affect either the economic environment or the assumptions or the targets adopted as of the acquisition date. An impairment loss is recognised when the recoverable value of the assets tested becomes durably lower than their carrying value.

**10.1 Goodwill**

(in € million)	At 31 March 2012	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2013
Thermal Power	3,208	-	(3)	16	3,221
Renewable Power	489	-	-	-	489
Transport	661	29	-	1	691
Grid	1,125	9	-	1	1,135
<b>Goodwill</b>	<b>5,483</b>	<b>38</b>	<b>(3)</b>	<b>18</b>	<b>5,536</b>
<i>of which:</i>					
Gross value	5,483	38	(3)	18	5,536
Impairment	-	-	-	-	-

(in € million)	At 31 March 2011	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2012
Thermal Power	3,180	-	-	28	3,208
Renewable Power	488	-	-	1	489
Transport	568	90	-	3	661
Grid	1,160	(37)	-	2	1,125
<b>Goodwill</b>	<b>5,396</b>	<b>53</b>	-	<b>34</b>	<b>5,483</b>
<i>of which:</i>					
Gross value	5,396	53	-	34	5,483
Impairment	-	-	-	-	-

## Goodwill impairment test

As of 31 March 2013, Alstom tested the value of goodwill allocated to its groups of Cash Generating Units (CGU) applying valuation methods consistent with previous years. Alstom ensured that the recoverable amount of groups of CGU exceeded their carrying value (including goodwill).

## Presentation of key assumptions used for the determination of recoverable amounts

The value in use of each group of CGU is determined as the discounted value of future cash flows by using cash flow projections for the next three years consistent with the Group's internal business plan, the extrapolation of the two following years and the most recent forecasts prepared by the Sectors.

The value in use is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the discount rate after tax, the long-term growth rate and the terminal value operating margin (corresponding to the ratio Income from Operations over Sales).

The main assumptions used to assess the recoverable amounts of goodwill are as follows:

	Thermal Power	Renewable Power	Transport	Grid
Net carrying amount of goodwill at 31 March 2013 (in € million)	3,221	489	691	1,135
Value elected as representative of the recoverable value	value in use	value in use	value in use	value in use
Number of years over which cash flow estimates are available	3 years	3 years	3 years	3 years
Extrapolation period of cash flow estimates	2 years	2 years	2 years	2 years
<b>Long-term growth rate at 31 March 2013</b>	<b>2.0%</b>	<b>2.0%</b>	<b>1.5%</b>	<b>2.0%</b>
Long-term growth rate at 31 March 2012	2.0%	2.0%	1.5%	2.0%
<b>After tax discount rate at 31 March 2013 (*)</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>
After tax discount rate at 31 March 2012 (*)	9.0%	9.0%	9.0%	9.0%

(\*) The application of pre-tax discount rates to pre-tax cash flows leads to the same valuation of cash generating units.

As of 31 March 2013, the recoverable amounts of the 4 Sectors exceeded their carrying value and the impairment test supports the Group's opinion that goodwill is not impaired.

For all the Sectors, no impairment of the goodwill would need to be recognized when the value in use is calculated by using either:

- A discount rate that ranges from 120 to 2 100 basis points above the base rate of 9%, depending on the Sector;
- A below 0.5% long-term growth rate.

Sensitivity of enterprise values to key assumptions can be presented as follows:

(in € million)	Thermal Power		Renewable Power		Transport		Grid	
	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp
After tax discount rate	1,687	(1,263)	322	(239)	531	(405)	444	(332)
Long-term growth rate	(621)	716	(105)	121	(172)	196	(142)	164

## 10.2 Intangible assets

(in € million)	At 31 March 2012	Additions / disposals / amortisation	Changes in consolidation scope	Translation adjustments and other changes	At 31 March 2013
Development costs	1,686	233	-	(19)	1,900
Acquired technology	1,422	-	-	-	1,422
Other intangible assets	697	36	13	76	822
<b>Gross value</b>	<b>3,805</b>	<b>269</b>	<b>13</b>	<b>57</b>	<b>4,144</b>
Development costs	(657)	(82)	-	15	(724)
Acquired technology	(748)	(94)	-	-	(842)
Other intangible assets	(479)	(70)	1	(48)	(596)
<b>Amortisation and impairment</b>	<b>(1,884)</b>	<b>(246)</b>	<b>1</b>	<b>(33)</b>	<b>(2,162)</b>
Development costs	1,029	151	-	(4)	1,176
Acquired technology	674	(94)	-	-	580
Other intangible assets	218	(34)	14	28	226
<b>Net value</b>	<b>1,921</b>	<b>23</b>	<b>14</b>	<b>24</b>	<b>1,982</b>

(in € million)	At 31 March 2011	Additions / disposals / amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2012
Development costs	1,395	293	-	(2)	1,686
Acquired technology	1,422	-	-	-	1,422
Other intangible assets	678	6	(3)	16	697
<b>Gross value</b>	<b>3,495</b>	<b>299</b>	<b>(3)</b>	<b>14</b>	<b>3,805</b>
Development costs	(549)	(113)	-	5	(657)
Acquired technology	(668)	(82)	-	2	(748)
Other intangible assets	(344)	(124)	-	(11)	(479)
<b>Amortisation and impairment</b>	<b>(1,561)</b>	<b>(319)</b>	<b>-</b>	<b>(4)</b>	<b>(1,884)</b>
Development costs	846	180	-	3	1,029
Acquired technology	754	(82)	-	2	674
Other intangible assets	334	(118)	(3)	5	218
<b>Net value</b>	<b>1,934</b>	<b>(20)</b>	<b>(3)</b>	<b>10</b>	<b>1,921</b>

Technology and licence agreements acquired through the combination with ABB ALSTOM POWER in 1999 and 2000 and through the combination with Grid activities in 2010 represent the bulk of the gross amount reported as acquired technology.

The impairment test at 31 March 2013 supports the Group's opinion that intangible assets are not impaired.



**Note 11. Property, plant and equipment**

(in € million)	At 31 March 2012	Acquisitions/ Amortisation/ Impairments	Disposals	Changes in consolidation scope	Translation adjustments and other changes	At 31 March 2013
Land	195	4	(7)	-	4	196
Buildings	1,760	61	(24)	63	63	1,923
Machinery and equipment	2,842	155	(155)	5	104	2,951
Constructions in progress	334	188	(4)	-	(126)	392
Tools, furniture, fixtures and other	584	42	(56)	(1)	(73)	496
<b>Gross value</b>	<b>5,715</b>	<b>450</b>	<b>(246)</b>	<b>67</b>	<b>(28)</b>	<b>5,958</b>
Land	(9)	-	(1)	-	-	(10)
Buildings	(673)	(77)	18	3	(7)	(736)
Machinery and equipment	(1,798)	(179)	126	4	(5)	(1,852)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(383)	(44)	48	1	42	(336)
<b>Amortisation and impairment</b>	<b>(2,863)</b>	<b>(300)</b>	<b>191</b>	<b>8</b>	<b>30</b>	<b>(2,934)</b>
Land	186	4	(8)	-	4	186
Buildings	1,087	(16)	(6)	66	56	1,187
Machinery and equipment	1,044	(24)	(29)	9	99	1,099
Constructions in progress	334	188	(4)	-	(126)	392
Tools, furniture, fixtures and other	201	(2)	(8)	-	(31)	160
<b>Net value</b>	<b>2,852</b>	<b>150</b>	<b>(55)</b>	<b>75</b>	<b>2</b>	<b>3,024</b>

  

(in € million)	At 31 March 2011	Acquisitions/ Amortisation/ Impairments	Disposals	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2012
Land	197	6	(5)	-	(3)	195
Buildings	1,612	72	(6)	(5)	87	1,760
Machinery and equipment	2,716	145	(103)	-	84	2,842
Constructions in progress	262	209	(1)	-	(136)	334
Tools, furniture, fixtures and other	538	53	(42)	-	35	584
<b>Gross value</b>	<b>5,325</b>	<b>485</b>	<b>(157)</b>	<b>(5)</b>	<b>67</b>	<b>5,715</b>
Land	(9)	-	-	-	-	(9)
Buildings	(603)	(68)	10	-	(12)	(673)
Machinery and equipment	(1,715)	(185)	96	-	6	(1,798)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(347)	(54)	38	-	(20)	(383)
<b>Amortisation and impairment</b>	<b>(2,674)</b>	<b>(307)</b>	<b>144</b>	<b>-</b>	<b>(26)</b>	<b>(2,863)</b>
Land	188	6	(5)	-	(3)	186
Buildings	1,009	4	4	(5)	75	1,087
Machinery and equipment	1,001	(40)	(7)	-	90	1,044
Constructions in progress	262	209	(1)	-	(136)	334
Tools, furniture, fixtures and other	191	(1)	(4)	-	15	201
<b>Net value</b>	<b>2,651</b>	<b>178</b>	<b>(13)</b>	<b>(5)</b>	<b>41</b>	<b>2,852</b>

The net value of tangible assets held under finance leases and included in the above data is as follows:

(in € million)	At 31 March	At 31 March
	2013	2012
Land	13	13
Buildings	63	70
Machinery and equipment	1	3
Tools, furniture, fixtures and other	13	15
<b>Net value of tangible assets held under finance leases</b>	<b>90</b>	<b>101</b>

Commitments to purchase fixed assets amount to €118 million at 31 March 2013. They notably arise from the construction of a new facility in India for the manufacturing of turbines and in Germany.

## **Note 12. Associates and non consolidated investments**

### **12.1 Associates**

#### **Financial information on associates**

(in € million)	At 31 March	At 31 March	At 31 March
	2013	2012	2013
			% ownership
The Breakers Investments B.V. (Transmashholding) <sup>(1)</sup>	388	307	25.0%
BrightSource Energy <sup>(2)</sup>	106	-	25.2%
NTL (Translohr) <sup>(3)</sup>	25	-	51.0%
Cerrey - Babcock & Wilcox de Mexico	23	19	25.0%
Other <sup>(4)</sup>	55	51	-
<b>Total Associates</b>	<b>597</b>	<b>377</b>	

(1) see Note 3

(2) Following an additional investment of \$40 million in October 2012, BrightSource Energy is consolidated under equity method instead of being accounted as a non-consolidated investment before.

(3) NTL was acquired on 28 September 2012. Based on contractual agreements, Alstom doesn't exercise control over NTL.

(4) No other investment's net value individually exceeds €15 million.

(in € million)	Closing date	Total assets at closing date	Total liabilities at closing date	Total revenues	Total net profit (loss)
The Breakers Investments B.V. (Transmashholding) <sup>(1)</sup>	31 December	2,373	1,241	2,807	219
BrightSource Energy	31 December	449	300	226	(118)
NTL (Translohr) <sup>(2)</sup>	30 June	64	44	-	-
Correy - Babcock & Wilcox de Mexico	31 December	232	138	179	12

(1) Financial statements of year end closing 31 December 2012 are not yet available. Financial statements of year end closing 31 December 2011 are mentioned here.

(2) Latest financial statements available, at the date of transfer of assets from Lohr industrie.

## Movements in the period

(in € million)	Year ended	
	31 March 2013	31 March 2012
<b>Opening balance</b>	<b>377</b>	<b>43</b>
Share in net income/(loss) of equity investments	47	28
Dividends	(29)	(1)
Acquisitions	80	276
Transfer from non consolidated investments	118	22
Translation adjustments and other	4	9
<b>Closing balance</b>	<b>597</b>	<b>377</b>

## 12.2 Non-consolidated investments

### Financial information on non-consolidated investments

(in € million)	At 31 March 2013			At 31 March 2012	At 31 March 2013
	Gross	Impairment	Net	Net	% ownership
Tidal Generation Ltd <sup>(1)</sup>	50	-	50	-	100.0%
BrightSource Energy <sup>(2)</sup>	-	-	-	97	
Other <sup>(3)</sup>	60	(9)	51	57	
<b>Total</b>	<b>110</b>	<b>(9)</b>	<b>101</b>	<b>154</b>	

(1) On 29 January 2013, Alstom completed the acquisition of Tidal Generation Limited. Tidal Generation Limited is at the forefront in the design, development and manufacture of tidal stream turbines which capture and convert the energy of tidal streams to generate electrical power. Alstom made an initial payment of £16 million (approximately €21 million) to the selling shareholder. The remainder of the price will be based on the achievement of technical milestones and paid by the end of June 2014. As its consolidation did not have a material impact on the consolidated financial statement at 31 March 2013, Tidal Generation Limited will be consolidated from 01 April 2013.

(2) Following an additional investment of \$40 million in October 2012, BrightSource Energy is consolidated under equity method instead of being accounted as a non-consolidated investment before.

(3) No other investment's net value individually exceeds €10 million.

### Movements in the period

(in € million)	Year ended	
	31 March 2013	31 March 2012
<b>Opening balance</b>	<b>154</b>	<b>164</b>
Change in fair value <sup>(*)</sup>	(1)	(13)
Acquisitions	62	16
Transfer to associates	(114)	(25)
Translation adjustments and other	-	12
<b>Closing balance</b>	<b>101</b>	<b>154</b>

(\*) variation recorded in other comprehensive income as fair value gains / (losses) on assets available for sale

**Note 13. Other non-current assets**

(in € million)	At 31 March 2013	At 31 March 2012
Financial non-current assets associated to financial debt <sup>(*)</sup>	382	426
Long-term loans, deposits and other	133	119
<b>Other non-current assets</b>	<b>515</b>	<b>545</b>

(\*) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 24 and 29). They are made up as follows:

- at 31 March 2013, €368 million receivables and €14 million deposit;
- at 31 March 2012, €400 million receivables and €26 million deposit.

**Note 14. Inventories**

(in € million)	At 31 March 2013	At 31 March 2012
Raw materials and supplies	989	910
Work in progress	2,145	2,207
Finished products	354	374
<b>Inventories, gross</b>	<b>3,488</b>	<b>3,491</b>
Raw materials and supplies	(138)	(154)
Work in progress	(157)	(144)
Finished products	(49)	(55)
<b>Write-down</b>	<b>(344)</b>	<b>(353)</b>
<b>Inventories, net</b>	<b>3,144</b>	<b>3,138</b>

Changes in inventory write-down recognised as income for the fiscal year ended 31 March 2013 amount to €9 million (€47 million income for the year ended 31 March 2012).

**Note 15. Construction contracts in progress**

(in € million)	At 31 March 2013	At 31 March 2012	Variation
Construction contracts in progress, assets	4,158	3,752	406
Construction contracts in progress, liabilities	(9,909)	(9,508)	(401)
<b>Construction contracts in progress</b>	<b>(5,751)</b>	<b>(5,756)</b>	<b>5</b>

(in € million)	At 31 March 2013	At 31 March 2012	Variation
Contract costs incurred <i>plus</i> recognised profits <i>less</i> recognised losses to date	58,511	55,138	3,373
<i>Less</i> progress billings	(61,084)	(57,463)	(3,621)
<b>Construction contracts in progress excluding down payments received from customers</b>	<b>(2,573)</b>	<b>(2,325)</b>	<b>(248)</b>
Down payments received from customers	(3,178)	(3,431)	253
<b>Construction contracts in progress</b>	<b>(5,751)</b>	<b>(5,756)</b>	<b>5</b>

**Note 16. Trade receivables**

(in € million)	Total	No past due on the closing date	Past due on the closing date		
			Less than 60 days	Between 60 and 180 days	More than 180 days
<b>Trade receivables at 31 March 2013</b>	<b>5,285</b>	<b>4,287</b>	<b>350</b>	<b>261</b>	<b>387</b>
o/w gross	5,394	4,307	351	265	471
o/w impairment	(109)	(20)	(1)	(4)	(84)
<b>Trade receivables at 31 March 2012</b>	<b>5,692</b>	<b>4,705</b>	<b>335</b>	<b>200</b>	<b>452</b>
o/w gross	5,806	4,732	337	203	534
o/w impairment	(114)	(27)	(2)	(3)	(82)

Impairment losses are determined considering the risk of non-recovery assessed on a case by case basis. Due to the type of business operated by the Group, past due receivables are frequently representative of outstanding amounts confirmed by customers but whose payment is subject to clearance of items raised during inspection of works. Such receivables do remain fully recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of the related contracts.

**Note 17. Other current operating assets**

(in € million)	At 31 March 2013	At 31 March 2012
Down payments made to suppliers	735	515
Corporate income tax	184	192
Other taxes	842	1,046
Prepaid expenses	236	431
Other receivables	408	443
Derivatives relating to operating activities	333	283
Remeasurement of hedged firm commitments in foreign currency	590	647
<b>Other current operating assets</b>	<b>3,328</b>	<b>3,557</b>

**Note 18. Marketable securities and other current financial assets**

(in € million)	At 31 March 2013	At 31 March 2012
Derivatives related to financing activities	35	10
Marketable securities	1	3
<b>Marketable securities and other current financial assets</b>	<b>36</b>	<b>13</b>

**Note 19. Working capital****19.1 Balance sheet positions**

(in € million)	At 31 March 2013	At 31 March 2012	Variation
Inventories	3,144	3,138	6
Construction contracts in progress, assets	4,158	3,752	406
Trade receivables	5,285	5,692	(407)
Other current operating assets	3,328	3,557	(229)
<b>Assets</b>	<b>15,915</b>	<b>16,139</b>	<b>(224)</b>
Non-current provisions	680	804	(124)
Current provisions	1,309	1,414	(105)
Construction contracts in progress, liabilities	9,909	9,508	401
Trade payables	4,041	4,080	(39)
Other current operating liabilities	3,688	4,192	(504)
<b>Liabilities</b>	<b>19,627</b>	<b>19,998</b>	<b>(371)</b>
<b>Working capital</b>	<b>(3,712)</b>	<b>(3,859)</b>	<b>147</b>

## 19.2 Analysis of variation in working capital

(in € million)	Year ended 31 March 2013
<b>Working capital at the beginning of the period</b>	<b>(3,859)</b>
Changes in working capital resulting from operating activities <sup>(1)</sup>	150
Changes in working capital resulting from investing activities <sup>(2)</sup>	(31)
Translation adjustments and other changes	28
<b>Total changes in working capital</b>	<b>147</b>
<b>Working capital at the end of the period</b>	<b>(3,712)</b>

(1) Item presented within "net cash provided by/(used in) operating activities" in the consolidated statement of cash flows

(2) Item presented within "net cash provided by/(used in) investing activities" in the consolidated statement of cash flows

### Note 20. Equity

When managing capital, the objective of the Group is to safeguard its ability to continue as a going concern so that it can provide returns to shareholders, bring benefits to its other partners and optimise the structure of the capital in order to reduce its cost. To achieve this, the Group may choose to:

- adjust the amount of dividends paid to the shareholders;
- reimburse a portion of capital to the shareholders;
- issue new shares; or,
- sell assets in order to scale back its net debt.

### 20.1. Movements in share capital

#### Movements in financial year ended 31 March 2013

At 31 March 2013, the share capital of ALSTOM amounted to € 2,157,106,882 consisting of 308,158,126 ordinary shares with a par value of €7 each. For the year ended 31 March 2013, the weighted average number of outstanding ordinary shares amounted to 301,376,784 after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions" and to 304,327,791 after the effect of all dilutive instruments.



As of 4 October 2012, ALSTOM SA (“the Company”) completed a €350 million share capital increase through a private placement to institutional investors. 13 133 208 new shares were issued at a subscription price of €26.65 per share.

During the year ended 31 March 2013, 128 bonds reimbursable in shares “Obligations Remboursables en Actions” were converted into 8 shares at a par value of €7. The 81,266 bonds reimbursable with shares outstanding at 31 March 2013 represent 5,104 shares to be issued.

### **Movements in financial year ended 31 March 2012**

At 31 March 2012, the share capital of ALSTOM amounted to € 2,061,735,760 consisting of 294,533,680 ordinary shares with a par value of €7 each. For the year ended 31 March 2012, the weighted average number of outstanding ordinary shares amounted to 294,522,251 after the dilutive effect of bonds reimbursable in shares “Obligations Remboursables en Actions” and to 297,710,670 after the effect of all dilutive instruments.

During the year ended 31 March 2012, 288 bonds reimbursable in shares “Obligations Remboursables en Actions” were converted into 18 shares at a par value of €7. The 81,394 bonds reimbursable with shares outstanding at 31 March 2012 represent 5,112 shares to be issued.

### **20.2. Distribution of dividends**

In respect of the financial year ended 31 March 2013, it will be proposed to the Shareholders’ meeting called on 2 July 2013 to distribute dividends for a total amount of €259 million corresponding to a €0.84 dividend per share.

The following dividends were distributed in respect of the previous three financial years:

- year ended 31 March 2012 (decision of Shareholders’ meeting held on 26 June 2012): total amount of €236 million, corresponding to a €0.80 dividend per share;
- year ended 31 March 2011 (decision of Shareholders’ meeting held on 28 June 2011): total amount of €183 million, corresponding to a €0.62 dividend per share;
- year ended 31 March 2010 (decision of Shareholders’ meeting held on 22 June 2010): total amount of €364 million, corresponding to a €1.24 dividend per share.

## Note 21. Share-based payments

### 21.1. Stock options and free shares

#### Key characteristics

	Plans issued by shareholders meeting on 9 July 2004			Plans issued by shareholders meeting on 26 June 2007					
	Plan n°7	Plan n°8	Plan n°9	Plan n°10	Plan n°10	Plan n°11	Plan n°11	Plan n°12	Plan n°12
	stock options	stock options	stock options	stock options	free shares	stock options	free shares	stock options	free shares
Grant date	17/09/2004	27/09/2005	28/09/2006	25/09/2007	25/09/2007	23/09/2008	23/09/2008	21/09/2009	21/09/2009
Exercise period	17/09/2007	27/09/2008	28/09/2009	25/09/2010	n/a	23/09/2011	n/a	21/09/2012	n/a
	16/09/2014	26/09/2015	27/09/2016	24/09/2017		22/09/2018		20/09/2017	
Number of beneficiaries	1,007	1,030	1,053	1,196	1,289	411	1,431	436	1,360
Adjusted number granted <sup>(1)</sup>	5,566,000	2,803,000	3,367,500	1,697,200	252,000	754,300	445,655	871,350	522,220
Adjusted number exercised since the origin	4,707,109	1,834,271	526,967	1,000	220,320	-	-	-	80,928
Adjusted number cancelled since the origin	417,200	268,500	388,744	226,500	31,680	754,300	445,655	552,570	340,988
Adjusted number outstanding at 31 March 2013	441,691	700,229	2,451,789	1,469,700	-	-	-	318,780	100,304
inc. to the present members of the Executive Committee	9,572	8,000	325,000	171,100	-	-	-	50,100	320
Adjusted exercise price <sup>(2)</sup> (in €)	8.60	17.88	37.33	67.50	n/a	66.47	n/a	49.98	n/a
Fair value at grant date (in €)	7.30	10.30	12.90	29.24	129.20	16.71	63.54	11.26	48.11

(1) The number of options and free shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

(2) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge).

	Plans issued by shareholders meeting on 22 June 2010					
	Plan n°13	Plan n°13	Plan n°14	Plan n°14	Plan n°15	Plan n°15
	stock options	free shares	stock options	free shares	stock options	free shares
Grant date	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012
Exercise period	13/12/2013	n/a	04/10/2014	n/a	10/12/2015	n/a
	12/12/2018		03/10/2019		09/12/2020	
Number of beneficiaries	528	1,716	514	1,832	538	1,763
Adjusted number granted <sup>(1)</sup>	1,235,120	740,860	1,369,180	804,040	1,312,690	781,540
Adjusted number exercised since the origin	-	1,930	-	460	-	-
Adjusted number cancelled since the origin	281,039	150,285	267,652	139,722	6,910	9,500
Adjusted number outstanding at 31 March 2013	954,081	588,645	1,101,528	663,858	1,305,780	772,040
inc. to the present members of the Executive Committee	120,735	10,341	337,500	38,700	340,000	43,000
Adjusted exercise price <sup>(2)</sup> (in €)	33.14	n/a	26.39	n/a	27.70	n/a
Fair value at grant date (in €)	7.59	31.35	3.14	19.77	5.80	26.70

(1) The number of options and free shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

(2) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge).

At 31 March 2013, stock options granted by plans 7, 8, 9 10, 11 and 12 are fully vested. These options will expire seven years after the end of the vesting period of each plan. Starting plan 12, the options will expire five years after the end of the vesting period.

The long term incentive plans set up since 2007 combine the allocation of stock options with the allocation of free shares.

The grant of these instruments is conditional upon the group satisfying the following performance conditions.

LTIP plan 13 granted on 13 December 2010:

The total number of options exercisable and free shares to be delivered will depend on the Group's operating margin for the fiscal years ended 31 March 2011, 31 March 2012 and 31 March 2013:

	<b>% of options exercisable &amp; free shares to be delivered</b>		
	<b>Year ended 31 March 2011</b>	<b>Year ended 31 March 2012</b>	<b>Year ended 31 March 2013</b>
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

Based on consolidated financial statements for the fiscal years ended 31 March 2011, 31 March 2012 and 31 March 2013, the performance condition is achieved for 80% of an allotment of LTIP13 options and free shares. 20% of options and free shares are cancelled.

LTI plan 14 granted on 4 October 2011:

The total number of options exercisable and free shares to be delivered will depend on the Group's operating margin for the fiscal years ended 31 March 2012 and 31 March 2013 and 31 March 2014:

	<b>% of options exercisable &amp; free shares to be delivered</b>		
	<b>Year</b>	<b>Year</b>	<b>Year</b>
	<b>ended 31</b>	<b>ended 31</b>	<b>ended 31</b>
	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

Based on consolidated financial statements for the fiscal years ended 31 March 2012 and 31 March 2013, the performance condition is achieved for 60% of an allotment of LTIP14 options and free shares. 20% of options and free shares are cancelled.

LTI plan 15 granted on 10 December 2012:

The total number of options exercisable and free shares to be delivered will depend on the Group's operating margin and the free cash flow for the fiscal years ended 31 March 2013, 31 March 2014 and 31 March 2015:

<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2014</b>	<b>Year ended 31 March 2015</b>
<b>% of Conditional Options exercisable &amp; free shares to be delivered</b>	<b>% of Conditional Options exercisable &amp; free shares to be delivered</b>	<b>% of Conditional Options exercisable &amp; free shares to be delivered</b>
FCF <sup>(*)</sup> ≥ 0 and OM <sup>(*)</sup> ≥ 7.4%	FCF ≥ 0 and OM ≥ 7.6%	FCF ≥ 0 and OM ≥ 8%
40%	40%	20%
FCF ≥ 0 and 7.2% ≤ OM < 7.4%	FCF ≥ 0 and 7.3% ≤ OM < 7.6%	FCF ≥ 0 and 7.5% ≤ OM < 8%
30%	30%	10%
FCF ≥ 0 and 7% ≤ OM < 7.2%	FCF ≥ 0 and 7% ≤ OM < 7.3%	FCF < 0 or OM < 7.5%
10%	10%	0
FCF < 0 or OM < 7%	FCF < 0 or OM < 7%	-
0	0	-

(\*) FCF means Free cash flow and OM operating margin

Based on consolidated financial statements for the fiscal year ended 31 March 2013, the performance condition is achieved for 30% of an allotment of LTIP15 options and free shares. 10% of options and free shares are cancelled.

## Movements

	Number of options	Weighted average exercise price per share in €	Number of free shares
<b>Outstanding at 31 March 2011</b>	<b>7,855,932</b>	<b>39.15</b>	<b>1,330,400</b>
Granted	1,369,180	26.39	804,040
Exercised	(192,417)	18.78	(121,830)
Cancelled	(304,858)	40.54	(91,680)
<b>Outstanding at 31 March 2012</b>	<b>8,727,837</b>	<b>37.42</b>	<b>1,920,930</b>
Granted	1,312,690	27.70	781,540
Exercised	(411,504)	12.95	(79,648)
Cancelled	(885,445)	42.32	(497,975)
<b>Outstanding at 31 March 2013</b>	<b>8,743,578</b>	<b>36.58</b>	<b>2,124,847</b>
of which exercisable	5,382,189		n/a

## Valuation

	Plan n°11	Plan n°11	Plan n°12	Plan n°12	Plan n°13	Plan n°13	Plan n°14	Plan n°14	Plan n°15	Plan n°15
	stock options	free shares	stock options	free shares	stock options	free shares	stock options	free shares	stock options	free shares
Grant date	23/09/2008	23/09/2008	21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011	10/12/2012	10/12/2012
expected life (in years)	3.5	2.5 or 4.0	3.5	2.5 or 4.0	3.5	2.5 or 4.0	4.0	2.5 or 4.0	4.0	2.5 or 4.0
		31/05/2011		31/05/2012		31/05/2013		31/05/2014		31/05/2015
End of vesting period	22/09/2011	or	20/09/2012	or	12/12/2013	or	03/10/2014	or	09/12/2015	or
		22/09/2012		20/09/2013		12/12/2014		03/10/2015		09/12/2016
Adjusted exercise price <sup>(*)</sup> (in €)	66.47	n/a	49.98	n/a	33.14	n/a	26.39	n/a	27.70	n/a
Share price at grant date (in €)	65.10	65.10	50.35	50.35	35.40	35.40	23.82	23.82	29.77	29.77
Volatility	30%	n/a	30%	n/a	31%	n/a	31%	n/a	30%	n/a
Risk free interest rate	4.1%	4.2% or 4.4%	2.0%	1.6% or 2.3%	1.8%	1.4% or 2.0%	1.5%	1.1% or 1.5%	0.5%	0.2% or 0.5%
Dividend yield	1.3%	1.3%	1.3%	1.3%	3.1%	3.1%	5.0%	5.0%	3.4%	3.4%

(\*) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge).

The option valuation method follows a binomial mathematical model for plan 11 and a Black & Scholes model for plans 12, 13, 14 and 15, with exercise of the options anticipated and spread over the exercise period on a straight-line basis. The volatility factor applied is an average of CAC40 comparable companies' volatility at the grant date.

The Group booked a total expense of €15 million for the year ended 31 March 2013, and €11 million for the year ended 31 March 2012.

## 21.2 Stock appreciation rights (“SARs”)

### Key characteristics

	SARs n°7	SARs n°8	Notional SARs <sup>(1)</sup>	SARs n°9	SARs n°10
Grant date	01/12/2004	18/11/2005	16/12/2005	28/09/2006	25/09/2007
Vesting date	17/09/2007	27/09/2008	27/09/2008	28/09/2009	25/09/2010
Expiry date	16/09/2014	18/11/2015	26/09/2015	28/09/2016	24/09/2017
Number of beneficiaries	114	120	120	134	134
Adjusted number granted <sup>(2)</sup>	478,000	234,000	232,000	341,250	59,700
Adjusted number exercised since the origin	408,948	134,150	195,000	172,500	5,100
Adjusted number cancelled since the origin	69,052	43,100	37,000	53,125	4,200
Adjusted number outstanding at 31 March 2013	-	56,750	-	115,625	50,400
Adjusted exercise price <sup>(3)</sup> (in €)	8.60	22.45	17.88	36.05	73.42

(1) Notionnal SARs have been granted at an exercise price of €17.88 and are capped at €22.45.

(2) The number of SARs and their exercise prices have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

(3) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge).

### Movements

	Number of SARs	Weighted average exercise price per share in €
<b>Outstanding at 31 March 2011</b>	<b>244,804</b>	<b>40.15</b>
Granted	-	-
Exercised	(16,169)	35.69
Cancelled	-	-
<b>Outstanding at 31 March 2012</b>	<b>228,635</b>	<b>40.52</b>
Granted	-	-
Exercised	(5,860)	16.82
Cancelled	-	-
<b>Outstanding at 31 March 2013</b>	<b>222,775</b>	<b>41.04</b>
of which exercisable	222,775	

## Valuation

	SARs n°7	SARs n°8	Notional SARs <sup>(1)</sup>	SARs n°9	SARs n°10
Grant date	01/12/2004	18/11/2005	16/12/2005	28/09/2006	25/09/2007
expected life (in years)	4.0	4.0	4.0	4.0	4.0
End of vesting period	17/09/2007	27/09/2008	27/09/2008	28/09/2009	24/09/2010
Adjusted exercise price <sup>(2)</sup> (in €)	8.60	22.45	17.88	36.05	73.42
Share price at 31 March 2013 (in €)	31.75	31.75	31.75	31.75	31.75
Share price at 31 March 2012 (in €)	29.26	29.26	29.26	29.26	29.26
Volatility	23%	23%	23%	23%	23%
Risk free interest rate	1.8%	1.8%	1.8%	1.8%	1.8%
Dividend yield	2.2%	2.2%	2.2%	2.2%	2.2%

(1) SARs of the Notional plan have been granted at an exercise price of €17.88 and are capped at €22.45.

(2) The number of SARs and their exercise prices have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

The value of SARs plans is measured at the grant date using a Black-Scholes option valuation model taking into account the terms and conditions according to which the instruments were granted. Until the liability is settled, it is measured at each reporting date with changes in fair value recognized in profit and loss.

The Group books a nil income for the year ended 31 March 2013, and €2 million for the year ended 31 March 2012.

**Note 22. Provisions**

(in € million)	At 31 March 2012	Additions	Releases	Applications	Changes in consolidatio n scope	Translation adjustments and other	At 31 March 2013
Warranties	759	416	(206)	(207)	(1)	6	767
Litigations and claims	655	337	(287)	(159)	(2)	(2)	542
<b>Current provisions <sup>(1)</sup></b>	<b>1,414</b>	<b>753</b>	<b>(493)</b>	<b>(366)</b>	<b>(3)</b>	<b>4</b>	<b>1,309</b>
Tax risks and litigations <sup>(2)</sup>	155	68	(42)	(4)	5	(2)	180
Restructuring <sup>(3)</sup>	231	64	(24)	(86)	-	(3)	182
Other non-current provisions <sup>(4)</sup>	418	161	(234)	(30)	-	3	318
<b>Non-current provisions</b>	<b>804</b>	<b>293</b>	<b>(300)</b>	<b>(120)</b>	<b>5</b>	<b>(2)</b>	<b>680</b>
<b>Total provisions</b>	<b>2,218</b>	<b>1,046</b>	<b>(793)</b>	<b>(486)</b>	<b>2</b>	<b>2</b>	<b>1,989</b>

(in € million)	At 31 March 2011	Additions	Releases	Applications	Business combination	Translation adjustments and other	At 31 March 2012
Warranties	721	343	(138)	(227)	51	9	759
Litigations and claims	666	329	(205)	(156)	37	(16)	655
<b>Current provisions <sup>(1)</sup></b>	<b>1,387</b>	<b>672</b>	<b>(343)</b>	<b>(383)</b>	<b>88</b>	<b>(7)</b>	<b>1,414</b>
Tax risks and litigations <sup>(2)</sup>	139	24	(9)	(19)	26	(6)	155
Restructuring <sup>(3)</sup>	361	41	(35)	(138)	-	2	231
Other non-current provisions <sup>(4)</sup>	595	103	(86)	(140)	(60)	6	418
<b>Non-current provisions</b>	<b>1,095</b>	<b>168</b>	<b>(130)</b>	<b>(297)</b>	<b>(34)</b>	<b>2</b>	<b>804</b>
<b>Total provisions</b>	<b>2,482</b>	<b>840</b>	<b>(473)</b>	<b>(680)</b>	<b>54</b>	<b>(5)</b>	<b>2,218</b>

(1) Current provisions relate to warranties, litigations and claims on completed contracts.

(2) 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 would pursue all legal remedies to avoid an unfavourable 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.

(3) Restructuring derive from the adaptation of the Group's footprint in order to take into account the lower demand in developed countries (Europe and USA) and the situation of global overcapacity faced in some segments.

(4) Other non-current provisions mainly relate to guarantees delivered in connection with disposals, employee litigations, commercial disputes and environmental obligations. Environmental provisions amount to €37 million at 31 March 2013 and €38 million at 31 March 2012.



**Note 23. Post-employment and other long-term defined employee benefits**

In addition to mandatory social insurance plans, the Group has introduced a number of retirement plans (€5 621 million euros as of 31 March 2013) and other defined benefit post-employment plans (€ 351 million as of 31 March 2013) which include end-of-service benefits in France and retiree healthcare plans mainly in the United States. Other long-term benefits mainly correspond to jubilees in France and Germany (€63 million as of 31 March 2013).

Post-employment and long-term defined employee benefits are mainly in the United Kingdom, Switzerland, Germany and in the United States.

**23.1 Defined benefit obligations**

In the United Kingdom, there are three various defined benefit pension plans covering different populations. The largest plan, which accounts for 90% of the defined benefit obligations in the country, provides a pension, in the form of an indexed annuity based on the employee's final pensionable earnings, as well as benefits payable upon death and serious ill-health. This plan was closed to new members as of April 5, 2006. The two other plans also provide a pension in the form of an indexed annuity and are scheduled to be closed to new members as of May 1, 2013. New hires are ordinarily offered the opportunity to participate in a defined contribution group pension plan ("GPP"), a group life assurance plan and an income replacement scheme. These arrangements will also be used to meet the auto-enrollment requirements which affect Alstom in the United Kingdom from 1 May 2013.

In Switzerland, the pension plans allow members to accumulate retirement funds with interests in a dedicated account during their employment life. The account value is converted into a pension, in the form of an annuity or a lump sum payment. The plans also include benefits payable upon death and disability.

In Germany, the plans provide coverage for pension, death and disability. In the past, the pension was accrued in the form of an annuity. The plans were deeply modified for future accruals as of April 1, 2003 for the employees of the Grid sector, as of April 1, 2009 for the employees of the Thermal Power and Renewable Thermal sectors and as of April 1, 2010 for the employees of the Transport sector to remove most defined benefit pension risks. The plans now continue to be accounted as defined benefit plans under IAS19 but with much lower risks for the company. With respect to employee contributions, there are remitted into defined contributions plans.

In the United States of America, Alstom sponsors five qualified defined benefit pension plans and two post-retirement medical plans. Two of the qualified pension plans, namely a cash balance plan and a final average earnings plan, which represent 63% of the defined benefit obligations in the country, were closed to new members as of September 1, 2005, and further closed to all service accruals respectively as of September 30, 2010 and December 31, 2010. Employees now participate in a defined contribution 401(k) plan. The post-retirement medical plans were closed to new hires in 2002 and 2003 with the exception of a small number of unionized employees.

(in € million)	<b>At 31 March 2013</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Northern America</b>	<b>Others</b>
<b>Defined benefit obligations at beginning of year</b>	<b>(5,521)</b>	<b>(3,361)</b>	<b>(1,380)</b>	<b>(691)</b>	<b>(89)</b>
Service cost	(81)	(32)	(38)	(6)	(5)
Plan participant contributions	(38)	(3)	(34)	(1)	-
Interest cost	(238)	(164)	(35)	(33)	(6)
Plan amendments	3	-	1	2	-
Business combinations / disposals	-	-	-	(1)	1
Curtailments	8	-	8	-	-
Settlements	14	1	12	1	-
Actuarial gains (losses) - due to experience	(1)	31	(28)	-	(4)
Actuarial gains (losses) - due to changes in assumptions	(522)	(355)	(102)	(60)	(5)
Benefits paid	313	184	65	58	6
Change in scope	-	-	-	-	-
Foreign currency translation and others	28	36	17	(27)	2
<b>Defined benefit obligations at end of year</b>	<b>(6,035)</b>	<b>(3,663)</b>	<b>(1,514)</b>	<b>(758)</b>	<b>(100)</b>
<i>Of which:</i>					
<b>Funded schemes</b>	(5,255)	(3,042)	(1,501)	(669)	(43)
<b>Unfunded schemes</b>	(780)	(621)	(13)	(89)	(57)

(in € million)	<b>At 31 March 2012</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Northern America</b>	<b>Others</b>
<b>Defined benefit obligations at beginning of year</b>	<b>(4,892)</b>	<b>(2,964)</b>	<b>(1,228)</b>	<b>(637)</b>	<b>(63)</b>
Service cost	(83)	(29)	(44)	(4)	(6)
Plan participant contributions	(37)	(3)	(33)	(1)	-
Interest cost	(237)	(157)	(42)	(34)	(5)
Plan amendments	(4)	(1)	(6)	2	1
Business combinations / disposals	(15)	(7)	-	-	(8)
Curtailments	-	-	-	-	-
Settlements	(1)	-	-	-	(1)
Actuarial gains (losses) - due to experience	(35)	(33)	(1)	(1)	-
Actuarial gains (losses) - due to changes in assumptions	(263)	(216)	(10)	(34)	(3)
Benefits paid	303	164	83	50	6
Change in scope	-	-	-	-	-
Foreign currency translation and others	(257)	(126)	(99)	(32)	-
<b>Defined benefit obligations at end of year</b>	<b>(5,521)</b>	<b>(3,372)</b>	<b>(1,380)</b>	<b>(690)</b>	<b>(79)</b>
<i>Of which:</i>					
<b>Funded schemes</b>	(4,848)	(2,834)	(1,368)	(609)	(37)
<b>Unfunded schemes</b>	(673)	(538)	(12)	(81)	(42)

## 23.2 Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions from the employer and the employees, primarily in the United Kingdom, in Switzerland, in the United States and Germany.

The fair value of plan assets is deducted from the Group's defined benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

(in € million)	<b>At 31 March 2013</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Northern America</b>	<b>Others</b>
<b>Fair value of plan assets at beginning of year</b>	<b>4,097</b>	<b>2,237</b>	<b>1,353</b>	<b>477</b>	<b>30</b>
Expected return on assets	211	132	50	27	2
Actuarial gains (losses) on assets due to experience	215	128	72	14	1
Company contributions	127	41	55	27	4
Plan participant contributions	38	3	34	1	-
Business combinations /disposals	-	-	-	-	-
Settlements	(13)	-	(13)	-	-
Benefits paid from plan assets	(260)	(142)	(63)	(51)	(4)
Change in scope	-	-	-	-	-
Foreign currency translation and others	(33)	(32)	(17)	19	(3)
<b>Fair value of plan assets at end of year</b>	<b>4,382</b>	<b>2,367</b>	<b>1,471</b>	<b>514</b>	<b>30</b>

  

(in € million)	<b>At 31 March 2012</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Northern America</b>	<b>Others</b>
<b>Fair value of plan assets at beginning of year</b>	<b>3,763</b>	<b>2,065</b>	<b>1,219</b>	<b>452</b>	<b>27</b>
Expected return on assets	233	140	61	30	2
Actuarial gains (losses) on assets due to experience	(26)	9	(30)	(3)	(2)
Company contributions	112	36	56	16	4
Plan participant contributions	37	3	33	1	-
Business combinations /disposals	-	-	-	-	-
Settlements	-	-	-	-	-
Benefits paid from plan assets	(247)	(125)	(82)	(41)	1
Change in scope	-	-	-	-	-
Foreign currency translation and others	225	106	96	25	(2)
<b>Fair value of plan assets at end of year</b>	<b>4,097</b>	<b>2,234</b>	<b>1,353</b>	<b>480</b>	<b>30</b>

### 23.3 Reconciliation of funded status of the plans with assets and liabilities recognised in the balance sheet

(in € million)	At 31 March 2013	At 31 March 2012
<b>Funded status of the plans</b>	<b>(1,653)</b>	<b>(1,424)</b>
Unrecognised past service costs (gains)	22	24
Impact of asset ceiling	(1)	(5)
<b>Net of accrued and prepaid benefit costs after asset ceiling</b>	<b>(1,632)</b>	<b>(1,405)</b>
<i>Of which:</i>		
<b>Accrued pension and other employee benefit costs</b>	<b>(1,642)</b>	<b>(1,417)</b>
<b>Prepaid pension and other employee benefit costs</b>	<b>10</b>	<b>12</b>

The net asset of €10 million mainly related to a pension scheme in the United Kingdom is supported by appropriate refund expectations, as requested by IFRIC 14.

The following chart displays the evolution over the current fiscal year and the previous four fiscal years of the present value of the defined benefit obligation, the fair value of the plan assets, the deficit and the experience adjustments:

(en millions d'€)	At 31 March 2013	At 31 March 2012	At 31 March 2011	At 31 March 2010	At 31 March 2009
Defined benefit obligation	(6,035)	(5,521)	(4,892)	(4,251)	(3,668)
Fair value of plan assets	4,382	4,097	3,763	3,334	2,716
<b>Funded status of the plans</b>	<b>(1,653)</b>	<b>(1,424)</b>	<b>(1,129)</b>	<b>(917)</b>	<b>(952)</b>
Unrecognised past service costs (gains)	22	24	25	(12)	(10)
Impact of asset ceiling	(1)	(5)	(13)	(6)	(4)
<b>Net of accrued and prepaid benefit costs after asset ceiling</b>	<b>(1,632)</b>	<b>(1,405)</b>	<b>(1,117)</b>	<b>(935)</b>	<b>(966)</b>
Experience adjustments to:					
- plan liabilities	(1)	(35)	(25)	(16)	15
- plan assets	215	(26)	(27)	405	(663)

### 23.4 Changes of accrued pensions and other employee benefits recognised in comprehensive income

Actuarial gains and losses and asset ceiling arising from post-employment defined benefit plans have been recognised in other comprehensive income as follows:

(in € million)	At 31 March 2013	At 31 March 2012
<b>Opening balance (net loss)</b>	<b>(1,863)</b>	<b>(1,546)</b>
Actuarial gains and losses generated during the period	(300)	(324)
Asset ceiling generated during the period	5	7
<b>Closing balance (net loss)</b>	<b>(2,158)</b>	<b>(1,863)</b>

### 23.5 Components of plan assets

(in € million)	At 31 March 2013	%	European Union	Other European countries	Northern America
Equities	1,501	34	36	31	39
Bonds	2,384	55	55	52	59
Properties	405	9	8	15	1
Others	92	2	1	2	1
<b>Total</b>	<b>4,382</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

(in € million)	At 31 March 2012	%	European Union	Other European countries	Northern America
Equities	1,431	35	35	33	40
Bonds	2,166	53	55	48	59
Properties	361	9	7	14	1
Others	139	3	3	5	0
<b>Total</b>	<b>4,097</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Plan assets for each individual plan are invested in accordance with statutory regulations, pension plan rules, and decisions of pension fund trustees. At 31 March 2013, plan assets do not include any of the Group's capital stock.

### 23.6 Assumptions (weighted average rates)

Actuarial assumptions used vary by country and type of plan. Compensation increase assumptions are determined at business unit level and reviewed centrally.

(in %)	At 31 March 2013	European Union	Other European countries	Northern America	Others
Discount rate	3.61	4.10	2.18	3.90	5.99
Rate of compensation increase	2.88	3.42	1.46	3.01	3.82

(in %)	At 31 March 2012	European Union	Other European countries	Northern America	Others
Discount rate	4.30	4.87	2.50	4.93	5.51
Rate of compensation increase	2.92	3.46	1.54	2.97	2.98

For the year ended 31 March 2013, the effective return on assets was 10.5%.

#### Discount rate

In accordance with IAS 19 principles, discount rates are set each year by reference to the market yields on high quality corporate bonds denominated in the relevant currency. In countries where there is no deep market in such bonds, discount rates are set by reference to the yields on government bonds. The required information is sourced from the company's actuarial advisors and from market quotations and indices.

#### Assumptions related to the post-employment healthcare obligation

The healthcare trend rate is assumed to be 7.5% in the year ended 31 March 2013 and reduces thereafter to an ultimate rate of 5.4% from 2018 onwards.

#### Sensitivity analysis

A 25 bp increase or decrease in the main assumptions would have the following impacts on the defined benefit obligation:

(en %)	At 31 March 2013
Impact of a 25bp increase or decrease in the discount rate	-3,28% / 3,46%
Impact of a 25bp increase or decrease in the rate of compensation increase	+0,18% / -0,23%

### 23.7 Analysis of post-employment and other long-term defined benefit expense

(in € million)	Year ended 31 March 2013	European Union	Other European countries	Northern America	Others
Service cost	(81)	(32)	(38)	(6)	(5)
Defined contributions (*)	(191)	(120)	(1)	(55)	(15)
<b>Income from operations</b>	<b>(272)</b>	<b>(152)</b>	<b>(39)</b>	<b>(61)</b>	<b>(20)</b>
Actuarial gains/losses on other long-term benefits	(8)	(7)	(1)	-	-
Amortisation of unrecognised past service gain (cost)	-	(3)	1	2	-
Curtailments/settlements	8	-	7	1	-
<b>Other income (expenses)</b>	<b>-</b>	<b>(10)</b>	<b>7</b>	<b>3</b>	<b>-</b>
Interest cost	(238)	(164)	(35)	(33)	(6)
Expected return on plan assets	211	132	50	27	2
<b>Financial income (expenses)</b>	<b>(27)</b>	<b>(32)</b>	<b>15</b>	<b>(6)</b>	<b>(4)</b>
<b>Total benefit expense</b>	<b>(299)</b>	<b>(194)</b>	<b>(17)</b>	<b>(64)</b>	<b>(24)</b>

(in € million)	Year ended 31 March 2012	European Union	Other European countries	Northern America	Others
Service cost	(83)	(29)	(44)	(4)	(6)
Defined contributions (*)	(181)	(114)	(1)	(51)	(15)
<b>Income from operations</b>	<b>(264)</b>	<b>(143)</b>	<b>(45)</b>	<b>(55)</b>	<b>(21)</b>
Actuarial gains/losses on other long-term benefits	1	1	-	-	-
Amortisation of unrecognised past service gain (cost)	(5)	(3)	(6)	3	1
Curtailments/settlements	(1)	-	-	-	(1)
<b>Other income (expenses)</b>	<b>(5)</b>	<b>(2)</b>	<b>(6)</b>	<b>3</b>	<b>-</b>
Interest cost	(237)	(157)	(42)	(34)	(4)
Expected return on plan assets	233	140	61	30	2
<b>Financial income (expenses)</b>	<b>(4)</b>	<b>(17)</b>	<b>19</b>	<b>(4)</b>	<b>(2)</b>
<b>Total benefit expense</b>	<b>(273)</b>	<b>(162)</b>	<b>(32)</b>	<b>(56)</b>	<b>(23)</b>

(\*) Including an expense of € 19 million related to multi-employer contributions accounted for as defined contribution plans for the year ended 31 March 2013 (€15 million for the year ended 31 March 2012).



**23.8 Cash flows**

In accordance with local practice and regulations, the company pays contributions to the funded schemes it sponsors and benefits to the members of unfunded plans.

Total cash spent for defined benefit plans in the year ended 31 March 2013 amounted to €180 million and covers both regular contributions for accruing service and recovery contributions in case of funding shortfall. Total cash spent for defined contribution plans in the year ended 31 March 2013 amounted to €191 million.

The company's best estimate of contributions in the year ending 31 March 2014 are respectively €210 million and €190 million for defined benefit and defined contribution plans.

**Note 24. Financial debt**

<b>Carrying amount</b> (in € million)	<b>At 31 March 2013</b>	<b>At 31 March 2012</b>
Bonds	4,141	3,795
Other borrowing facilities	232	415
Put options and earn-out on acquired entities (*)	46	229
Derivatives relating to financing activities	18	17
Accrued interests	43	41
<b>Borrowings</b>	<b>4,480</b>	<b>4,497</b>
<i>Non-current</i>	4,197	3,863
<i>Current</i>	283	634
Obligations under finance leases	108	125
Other obligations under long-term rental	367	400
<b>Obligations under finance leases</b>	<b>475</b>	<b>525</b>
<i>Non-current</i>	433	477
<i>Current</i>	42	48
<b>Total financial debt</b>	<b>4,955</b>	<b>5,022</b>

(\*) includes, at 31 March 2012, the remaining price of TMH's acquisition paid in October 2012 (see Note 3)

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

	<b>Nominal value (in € million)</b>	<b>Maturity date</b>	<b>Nominal interest rate</b>	<b>Effective interest rate</b>
Alstom September 2014	743	23/09/2014	4.00%	3.89%
Alstom March 2015	60	09/03/2015	4.25%	4.47%
Alstom October 2015	500	05/10/2015	2.88%	2.98%
Alstom March 2016	500	02/03/2016	3.87%	4.05%
Alstom February 2017	750	01/02/2017	4.13%	4.25%
Alstom October 2017	350	11/10/2017	2.25%	2.44%
Alstom October 2018	500	05/10/2018	3.63%	3.71%
Alstom March 2020	750	18/03/2020	4.50%	4.58%

As of 4 October 2012, under its Euro Medium Term Note Programme listed in Luxembourg, the Company launched a new bond issue for an amount of €350 million. It bears an annual coupon of 2.25% and mature in October 2017.

The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Note 13 and 29).

**Note 25. Financial instruments and financial risk management****25.1 Financial instruments reported in the financial statements**

The Group's financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise funds for the Group's operations.

The Group has loans, trade and other receivables, and cash and cash equivalents that are directly derived from its operations.

The Group is exposed to currency risk, interest rate risk, credit risk and liquidity risk.

The main valuation methods applied are as follows:

- borrowings, when unhedged, are stated at amortised cost, determined by the effective interest rate method,
- the fair value of cash, cash equivalents, trade receivables and trade payables is considered as being equivalent to carrying value, due to their short maturities,
- the fair value of the financial debt is estimated based on either quoted market prices for traded instruments or current rates offered to the Group for debt of the same maturity.

The fair value of derivative instruments is the estimated amount that the Group would receive or pay to settle the related contracts, valued on the basis of relevant yield curves and foreign exchange rates at closing date.

## Year ended 31 March 2013

## Balance sheet positions at 31 March 2013

At 31 March 2013 (in € million)	Carrying amount not defined as financial instruments	Carrying amount of financial instruments by categories <sup>(*)</sup>					Fair value of items classified as financial instruments			Total	
		Balance sheet carrying amount	FV P/L	AFS	LRL at amortised cost	DER	Listed prices	Internal model based on observable factors	Internal model based on observable factors		
Associates and non consolidated investments	698	597	-	101	-	-	101	-	100	-	100
Other non-current assets	515	10	-	-	505	-	505	-	123	382	505
Trade receivables	5,285	-	-	-	5,285	-	5,285	-	5,285	-	5,285
Other current operating assets	3,328	1,990	590	-	415	333	1,338	-	1,338	-	1,338
Marketable securities and other current financial assets	36	-	1	-	-	35	36	-	36	-	36
Cash and cash equivalents	2,195	-	2,195	-	-	-	2,195	-	2,195	-	2,195
<b>Assets</b>	<b>12,057</b>	<b>2,597</b>	<b>2,786</b>	<b>101</b>	<b>6,205</b>	<b>368</b>	<b>9,460</b>	-	<b>9,077</b>	<b>382</b>	<b>9,459</b>
Non-current borrowings	4,197	-	-	-	4,197	-	4,197	-	4,489	-	4,489
Non-current obligations under finance leases	433	-	-	-	433	-	433	-	433	-	433
Current borrowings	283	-	-	-	265	18	283	-	283	-	283
Current obligations under finance leases	42	-	-	-	42	-	42	-	42	-	42
Trade payables	4,041	-	-	-	4,041	-	4,041	-	4,041	-	4,041
Other current operating liabilities	3,688	1,778	215	-	1,332	363	1,910	-	1,910	-	1,910
<b>Liabilities</b>	<b>12,684</b>	<b>1,778</b>	<b>215</b>	-	<b>10,310</b>	<b>381</b>	<b>10,906</b>	-	<b>11,198</b>	-	<b>11,198</b>

(\*) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

Financial income and expense arising from financial instruments for period ended 31 March 2013

(in € million)	FV P/L	AFS	LRL at amortised cost inc. related derivative s	Total
Interests	-	-	(165)	<b>(165)</b>
<i>Interest income</i>	-	-	29	29
<i>Interest expense</i>	-	-	(194)	(194)
Dividends	-	4	-	<b>4</b>
Impairment/loss from subsequent measurement	-	-	-	-
Gain on disposal	-	-	-	-
Foreign currency and other	-	-	(34)	<b>(34)</b>
<b>Net income/expense for the year ended 31 March 2013</b>	<b>-</b>	<b>4</b>	<b>(199)</b>	<b>(195)</b>

The amount reported as “foreign currency and other” is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.9) and bank fees (see Note 7).

Income from operations arising from financial instruments for the period ended 31 March 2013

Net foreign currency gains and losses recorded within income from operations are positive by €86 million for the year ended 31 March 2013.

They are made up of two components:

- forward points attached to hedging transactions qualified for hedge accounting,
- variation of fair value of hedging instruments and not qualifying for hedge accounting.

## Year ended 31 March 2012

## Balance sheet positions at 31 March 2012

At 31 March 2012 (in € million)	Carrying amount not defined as financial instrume nts	Carrying amount of financial instruments by categories <sup>(*)</sup>					Fair value of items classified as financial instruments			Total	
		FV P/L	AFS	LRL at amortis ed cost	DER	Total	Listed prices	Internal model not based on observ ables factors	Internal model not based on observ ables factors		
Associates and non consolidated investments	531	377	-	154	-	-	154	-	154	-	154
Other non-current assets	545	12	-	-	533	-	533	-	107	426	533
Trade receivables	5,692	-	-	-	5,692	-	5,692	-	5,692	-	5,692
Other current operating assets	3,557	2,180	647	-	447	283	1,377	-	1,377	-	1,377
Marketable securities and other current financial assets	13	-	3	-	-	10	13	-	13	-	13
Cash and cash equivalents	2,091	-	2,091	-	-	-	2,091	-	2,091	-	2,091
<b>Assets</b>	<b>12,429</b>	<b>2,569</b>	<b>2,741</b>	<b>154</b>	<b>6,672</b>	<b>293</b>	<b>9,860</b>	-	<b>9,434</b>	<b>426</b>	<b>9,860</b>
Non-current borrowings	3,863	-	-	-	3,863	-	3,863	-	4,042	-	4,042
Non-current obligations under finance leases	477	-	-	-	477	-	477	-	477	-	477
Current borrowings	634	-	-	-	617	17	634	-	634	-	634
Current obligations under finance leases	48	-	-	-	48	-	48	-	48	-	48
Trade payables	4,080	-	-	-	4,080	-	4,080	-	4,080	-	4,080
Other current operating liabilities	4,192	1,933	253	-	1,364	642	2,259	-	2,259	-	2,259
<b>Liabilities</b>	<b>13,294</b>	<b>1,933</b>	<b>253</b>	-	<b>10,449</b>	<b>659</b>	<b>11,361</b>	-	<b>11,540</b>	-	<b>11,540</b>

(\*) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

Financial income and expense arising from financial instruments for period ended 31 March 2012

(in € million)	FV P/L	AFS	LRL at amortised cost inc. related derivatives	<b>Total</b>
Interests	1	-	(143)	<b>(142)</b>
<i>Interest income</i>	<i>1</i>	-	<i>36</i>	<i>37</i>
<i>Interest expense</i>	-	-	<i>(179)</i>	<i>(179)</i>
Dividends	-	5	-	<b>5</b>
Impairment/loss from subsequent measurement	-	(1)	-	<b>(1)</b>
Gain on disposal	-	-	-	-
Foreign currency and other	-	-	(35)	<b>(35)</b>
<b>Net income/expense for the year ended 31 March 2012</b>	<b>1</b>	<b>4</b>	<b>(178)</b>	<b>(173)</b>

The amount reported as “foreign currency and other” is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.9) and bank fees (see Note 7).

Income from operations arising from financial instruments for the period ended 31 March 2012

Net foreign currency gains and losses recorded within income from operations are positive by €47 million for the year ended 31 March 2012. They are comprised essentially of forward points at mark to market of the hedging instruments.

## 25.2 Currency risk management

### Financial debt

The nominal value of the financial debt split by currency is as follows:

(in € million)	At 31 March 2013	At 31 March 2012
Euro	4,325	4,224
Chinese Yuan	72	83
Brazilian Real	67	144
British Pound	413	425
US Dollar	14	12
Other currencies	79	149
<b>Financial debt in nominal value</b>	<b>4,970</b>	<b>5,037</b>

The debt in GBP essentially originates from a long-term lease scheme of trains, involving London Underground. The related €367 million debt denominated in GBP is counter-balanced by long-term receivables having the same maturity and also denominated in GBP that are recognised as non-current assets (see Notes 13, 24 and 29).

### Operations

In the course of its operations, 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. Main currencies triggering a significant exposure for the year ended 31 March 2013 are the Swiss Franc and the US dollar.

During the tender period, depending on the probability to obtain the project and on market conditions, the Group can hedge a portion of its tenders using options or export insurance contracts when possible. Once the contract is signed, forward exchange contracts are used to hedge the actual exposure during the life of the contract (either as the only hedging instruments or as a complement to existing export insurance contracts).

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 maximise hedge effectiveness.



Derivative instruments hedging foreign currency risk are recognised at their fair value on the balance sheet as follows:

(in € million)	At 31 March 2013		At 31 March 2012	
	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	346	367	290	637
Derivatives qualifying for cash flow hedge	20	11	1	24
Derivatives qualifying for net investment hedge	-	-	-	-
Derivatives not qualifying for hedge accounting	2	3	2	1
<b>Total</b>	<b>368</b>	<b>381</b>	<b>293</b>	<b>662</b>

The fair value of those instruments is the estimated amount that the Group would receive or pay to settle the related contracts, valued on the basis of relevant yield curves and foreign exchange rates at closing date.

High volatility of foreign exchange rates during the periods ended 31 March 2013 and 31 March 2012 explains the significant amount of fair value of derivative instruments (either positive or negative). For instruments that qualify for fair value hedge accounting, any change in fair value is mostly offset by the re-measurement of the underlying exposure (either on balance sheet or off-balance sheet).

The following table shows the sensitivity of the Group's pre-tax income to a change in the US dollar and Swiss Franc exchange rates. The effects on pre-tax income arise from derivative instruments not qualifying for hedge accounting while the effect on income and expense directly recognised in equity is due to the measurement of the effective portion of derivative instruments qualifying for cash flow hedge accounting.

	USD rate			CHF rate		
	Variation	Effect on pre-tax income	Effect on and expense directly recognise d in equity	Variation	Effect on pre-tax income	Effect on and expense directly recognise d in equity
Year ended 31 March 2013	10%	-	-	5%	-	(2)
	-10%	-	-	-5%	-	2
Year ended 31 March 2012	10%	3	-	5%	-	8
	-10%	(3)	-	-5%	-	(8)

The effective portion of instruments qualifying for cash flow hedge accounting reclassified from equity to profit or loss during the year ended 31 March 2013 is negative by €6 million.

### 25.3. Interest rate risk management

The Group has not implemented an active interest rate risk management policy. However under the supervision of the Executive Committee, it may enter into transactions in order to hedge its interest rate risk on a case-by-case basis according to market opportunities.

Carrying amount (in € million)	At 31 March	At 31 March
	2013	2012
Financial assets at floating rate	2,264	2,140
Financial assets at fixed rate	409	465
<b>Financial assets bearing interests</b>	<b>2,673</b>	<b>2,605</b>
Financial debt at floating rate	47	102
Financial debt at fixed rate, put options and earn-out on acquired entities	4,908	4,920
<b>Financial debt</b>	<b>4,955</b>	<b>5,022</b>
Total position at floating rate before swaps	2,311	2,242
Total position at fixed rate before swaps	5,317	5,385
<b>Total position before hedging</b>	<b>7,628</b>	<b>7,627</b>
Total position at floating rate after swaps	2,311	2,242
Total position at fixed rate after swaps	5,317	5,385
<b>Total position after hedging</b>	<b>7,628</b>	<b>7,627</b>

Sensitivity is analysed based on the group's net cash position after hedging at 31 March 2013, assuming that it remains constant over one year.

In absence of instruments hedging the interest risk, the effects of increases or decreases in market rates are symmetrical: a rise of 0.1% would increase the net interest income by €3 million while a fall of 0.1% would decrease it by the same amount.

### 25.4. Credit risk management

Credit risk is the risk that a 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 from its financing activities, including deposits, foreign currency hedging instruments and other financial instruments with banks and financial institutions.

**Risk related to customers**

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

In specific cases, the Group may use export credit insurance policies which may hedge up to 90% of the credit risk on certain contracts.

**Risk related to other financial assets**

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

**Risk related to cash and cash equivalents**

Credit risk from balances with banks and financial institutions is managed by Group treasury in accordance with the Group's policy. At 31 March 2013 and at 31 March 2012, as part of the central treasury management, cash and cash equivalents are invested entirely in deposits with bank counterparts of first rank noted "Investment Grade".

The Group's parent company has access to some cash held by wholly-owned subsidiaries through the payment of dividends or pursuant to intercompany loan arrangements. However local constraints can delay or restrict this access. Furthermore, while the Group's parent company has the power to control decisions of subsidiaries of which it is the majority owner, its subsidiaries are distinct legal entities and their payment of dividends and granting of loans, advances and other payments to the parent company may be subject to legal or contractual restrictions, be contingent upon their earnings or be subject to business or other constraints. These limitations include local financial assistance rules and corporate benefit laws.

The Group's policy is to centralise liquidity of subsidiaries at the parent company's level when possible. Restricted cash and cash equivalents available at subsidiary level were €490 million and €350 million at 31 March 2013 and 31 March 2012, respectively.

## 25.5. Liquidity risk management

### Financial covenants

At 31 March 2012, to increase its liquidity, the Group completed a €1,350 million revolving credit facility fully undrawn maturing in December 2016. This facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum Interest Cover	Maximum total debt (€m)	Maximum total net debt leverage
	(a)	(b)	(c)
	3	5,000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense (excluding interest related to obligations under finance lease). It amounts to 11.2 at year end 31 March 2013 (12.5 at year end 31 March 2012).

(b) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. This covenant ceases to apply since the Group has an "Investment grade" rating.

(c) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as at 31 March 2013 is 1.3 (1.4 at 31 March 2012).

### Cash Flow

The Group's objective is to maintain a strong liquidity. A revolving cash planning tool is used to monitor the Group's liquidity needs.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2013 and 31 March 2012.

Planning data for future new assets and liabilities are not reported. Amounts in foreign currency are translated at the closing rate. The variable interest payments are calculated using the last interest rates available at the closing date. Assets and liabilities that can be repaid at any time are always assigned to the earliest possible time period.

## Financial instruments held at 31 March 2013

## Cash flow arising from instruments included in net cash/(debt) at 31 March 2013

Cash flow for the years ended 31 March (in € million)	Carrying amount	2014		2015		2016-2018		2019 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	382	26	25	24	28	50	315	-	14
Marketable securities and other current financial assets	36	-	36	-	-	-	-	-	-
Cash and cash equivalents	2,195	2	2,195	-	-	-	-	-	-
<b>Assets</b>	<b>2,613</b>	<b>28</b>	<b>2,256</b>	<b>24</b>	<b>28</b>	<b>50</b>	<b>315</b>	<b>-</b>	<b>14</b>
Non-current borrowings	(4,197)	-	-	(144)	(805)	(264)	(2,120)	(79)	(1,272)
Non-current obligations under finance leases	(433)	-	-	(28)	(44)	(57)	(137)	(3)	(252)
Current borrowings	(283)	(170)	(283)	-	-	-	-	-	-
Current obligations under finance leases	(42)	(31)	(42)	-	-	-	-	-	-
<b>Liabilities</b>	<b>(4,955)</b>	<b>(201)</b>	<b>(325)</b>	<b>(172)</b>	<b>(849)</b>	<b>(321)</b>	<b>(2,257)</b>	<b>(82)</b>	<b>(1,524)</b>
<b>Net cash/(debt)</b>	<b>(2,342)</b>	<b>(173)</b>	<b>1,931</b>	<b>(148)</b>	<b>(821)</b>	<b>(271)</b>	<b>(1,942)</b>	<b>(82)</b>	<b>(1,510)</b>

## Cash flow arising from operating derivatives at 31 March 2013

Cash flow for the years ended 31 March (in € million)	Carrying amount	2014		2015		2016-2018		2019 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	333	-	160	-	53	-	69	-	51
<b>Assets</b>	<b>333</b>	<b>-</b>	<b>160</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>69</b>	<b>-</b>	<b>51</b>
Other current operating liabilities	(363)	-	(187)	-	(89)	-	(76)	-	(11)
<b>Liabilities</b>	<b>(363)</b>	<b>-</b>	<b>(187)</b>	<b>-</b>	<b>(89)</b>	<b>-</b>	<b>(76)</b>	<b>-</b>	<b>(11)</b>
<b>Derivatives</b>	<b>(30)</b>	<b>-</b>	<b>(27)</b>	<b>-</b>	<b>(36)</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>40</b>

## Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2013

Cash flow for the years ended 31 March (in € million)	Carrying amount	2014		2015		2016-2018		2019 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	101	-	-	-	-	-	-	-	101
Other non-current assets	123	-	75	-	1	-	5	-	42
Trade receivables	5,285	-	5,285	-	-	-	-	-	-
Other current operating assets	1,005	-	1,005	-	-	-	-	-	-
<b>Assets</b>	<b>6,514</b>	<b>-</b>	<b>6,365</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>143</b>
Trade payables	(4,041)	-	(4,041)	-	-	-	-	-	-
Other current operating liabilities	(1,547)	-	(1,547)	-	-	-	-	-	-
<b>Liabilities</b>	<b>(5,588)</b>	<b>-</b>	<b>(5,588)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financial assets and liabilities</b>	<b>926</b>	<b>-</b>	<b>777</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>143</b>

## Financial instruments held at 31 March 2012

### Cash flow arising from instruments included in net cash/(debt) at 31 March 2012

Cash flow for the years ended 31 March (in € million)	Carrying amount	2013		2014		2015-2017		2018 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	426	28	28	26	25	66	97	9	276
Marketable securities and other current financial assets	13	-	13	-	-	-	-	-	-
Cash and cash equivalents	2,091	8	2,091	-	-	-	-	-	-
<b>Assets</b>	<b>2,530</b>	<b>36</b>	<b>2,132</b>	<b>26</b>	<b>25</b>	<b>66</b>	<b>97</b>	<b>9</b>	<b>276</b>
Non-current borrowings	(3,863)	-	-	(152)	(21)	(285)	(2,571)	(79)	(1,271)
Non-current obligations under finance leases	(477)	-	-	(31)	(41)	(76)	(150)	(13)	(286)
Current borrowings	(634)	(165)	(634)	-	-	-	-	-	-
Current obligations under finance leases	(48)	(33)	(48)	-	-	-	-	-	-
<b>Liabilities</b>	<b>(5,022)</b>	<b>(198)</b>	<b>(682)</b>	<b>(183)</b>	<b>(62)</b>	<b>(361)</b>	<b>(2,721)</b>	<b>(92)</b>	<b>(1,557)</b>
<b>Net cash/(debt)</b>	<b>(2,492)</b>	<b>(162)</b>	<b>1,450</b>	<b>(157)</b>	<b>(37)</b>	<b>(295)</b>	<b>(2,624)</b>	<b>(83)</b>	<b>(1,281)</b>

### Cash flow arising from operating derivatives at 31 March 2012

Cash flow for the years ended 31 March (in € million)	Carrying amount	2013		2014		2015-2017		2018 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	283	-	147	-	76	-	40	-	20
<b>Assets</b>	<b>283</b>	<b>-</b>	<b>147</b>	<b>-</b>	<b>76</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>20</b>
Other current operating liabilities	(642)	-	(422)	-	(92)	-	(114)	-	(14)
<b>Liabilities</b>	<b>(642)</b>	<b>-</b>	<b>(422)</b>	<b>-</b>	<b>(92)</b>	<b>-</b>	<b>(114)</b>	<b>-</b>	<b>(14)</b>
<b>Derivatives</b>	<b>(359)</b>	<b>-</b>	<b>(275)</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>(74)</b>	<b>-</b>	<b>6</b>

### Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2012

Cash flow for the years ended 31 March (in € million)	Carrying amount	2013		2014		2015-2017		2018 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	154	-	-	-	-	-	-	-	154
Other non-current assets	107	-	63	-	1	-	2	-	41
Trade receivables	5,692	-	5,692	-	-	-	-	-	-
Other current operating assets	1,094	-	1,094	-	-	-	-	-	-
<b>Assets</b>	<b>7,047</b>	<b>-</b>	<b>6,849</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>195</b>
Trade payables	(4,080)	-	(4,080)	-	-	-	-	-	-
Other current operating liabilities	(1,618)	-	(1,618)	-	-	-	-	-	-
<b>Liabilities</b>	<b>(5,698)</b>	<b>-</b>	<b>(5,698)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financial assets and liabilities</b>	<b>1,349</b>	<b>-</b>	<b>1,151</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>195</b>

## 25.6 Commodity risk management

Most of commodities bought by the Group has already been modified and included into spare parts. For the other commodities, the Group has included into customer contracts a customer price adjustment clause, so that the Group has a limited exposure to the variation of commodity prices.

**Note 26. Other current operating liabilities**

(in € million)	At 31 March 2013	At 31 March 2012
Staff and associated liabilities	1,145	1,069
Corporate income tax	76	116
Other taxes	458	643
Deferred income	95	98
Other payables	1,336	1,371
Derivatives relating to operating activities	363	642
Remeasurement of hedged firm commitments in foreign currency	215	253
<b>Other current operating liabilities</b>	<b>3,688</b>	<b>4,192</b>

**Note 27. Employee benefit expense and headcount**

(in € million)	Year ended 31 March 2013	Year ended 31 March 2012
Wages and salaries	4,545	4,384
Social charges	1,143	1,037
Post-employment and other long-term benefit expense (see Note 23)	299	273
Share-based payment expense (see Note 21)	15	9
<b>Total employee benefit expense</b>	<b>6,002</b>	<b>5,703</b>

	At 31 March 2013	At 31 March 2012
Staff of consolidated companies at year end		
Managers, engineers and professionals	45,140	42,532
Other employees	41,112	42,917
<b>Headcount (*)</b>	<b>86,252</b>	<b>85,449</b>

(\*) Headcount doesn't include any temporary people

**Note 28. Contingent liabilities and disputes****28.1 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.

At 31 March 2013, the Group has in place both uncommitted bilateral lines in numerous countries up to €20.7 billion and a Committed Bonding Facility Agreement allowing issuance of instruments until 27 July 2016 for an amount of € 9 billion

At 31 March 2013, the total outstanding bonding guarantees related to contracts, issued by banks or insurance companies, amount to €15.6 billion (€15.9 billion at 31 March 2012).

The available amount under the Committed Bonding Facility at 31 March 2013 amounts to €2.1 billion (€1.4 billion at 31 March 2012). The issuance of new bonds under this bonding facility is subject to the financial covenants disclosed in Note 25.5. The available amount under bilateral lines at 31 March 2013 amounts to €10.7 billion.



**Vendor financing**

Until 2003, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of Transport equipment.

At 31 March 2013, guarantees given as part of past vendor financing arrangements amount to €258 million.

Included in this amount are:

- guarantees totalling \$63 million (€49 million and €47 million at 31 March 2013 and 31 March 2012 respectively) given with respect to equipment sold to a US train operator,
- guarantees totalling £177 million (€209 million and €212 million at 31 March 2013 and 31 March 2012 respectively) given as part of a leasing scheme involving London Underground Limited (Northern Line). Were London Underground Limited to decide not to extend the contract beyond 2017, and to hand the trains back, the Group has guaranteed to the lessors that the value of the trains and associated equipment, net of the £15 million non-extension payment due by London Underground, should not be less than £177 million in 2017. The £177 million is included in the €367 million amount of "Other obligations under long-term rental" (see Note 24).

**28.2 Disputes****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 litigation 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.

**Asbestos**

In France, some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos. 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 (medical) funds. In addition former employees 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".

In the United States, subsidiaries of the Group are also subject to asbestos-related personal injury lawsuits. The Group considers that it has valid defences in these cases and the number of outstanding cases is decreasing.

The Group believes that the cases where it may be required to bear the financial consequences of such civil or criminal proceedings both in France and the United States 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 will not have any material adverse effect on its financial condition. It can give no assurance, however, that present asbestos-related cases or new cases it may face in the future may not have a material adverse impact on its financial condition.

**Alleged anti-competitive activities****GIS equipment**

In April 2006, the European Commission commenced proceedings against Alstom, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears ("GIS equipment"), a product of its former Transmission & Distribution business sold to Areva in January 2004, following investigations that began in 2004.

On 24 January 2007, the European Commission levied a fine of €65 million against Alstom which includes €53 million on a joint and several basis with Areva T&D (Alstom Grid). Alstom has requested the cancellation of this decision before the General Court of the European Union. On 3 March 2011 the Court reduced the amount of fines levied against Alstom to €58.5 million out of which €48.1 million on a joint and several basis with Areva T&D (Alstom Grid). On 20 May 2011,

Alstom requested the cancellation of this decision before the Court of Justice of the European Union. A hearing took place on 2 May 2013 and the final decision could occur before the end of 2013.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages from all manufacturers concerned of £249.3 million in total since it bought GIS equipment at inflated prices due to alleged anti-competitive arrangements between manufacturers. Alstom contests the facts. The High Court of Justice in London decided that the final hearings would occur in June 2014. Two other similar civil actions started in May and September 2010 before national jurisdictions for a global amount of approximately €32 million are ongoing.

### **Power transformers**

On 20 November 2008, the European Commission sent a statement of objections to a number of manufacturers of power transformers, including Alstom, concerning their alleged participation in anti-competitive arrangements. Alstom has contested the materiality of the alleged facts. On 7 October 2009, the European Commission levied a fine of €16.5 million against Alstom which includes €13.5 million on a joint and several basis with Areva T&D (Alstom Grid). Alstom has requested the cancellation of the decision before the General Court of the European Union on 21 December 2009. The hearings on the merits took place on 9 July 2012 and the decision is expected to occur within one year.

### **Boilers**

The Group received a statement of objections issued by the German Federal Cartel Office (“FCO”) on 22 December 2008, alleging breaches of German competition law in the field of steam generators for lignite-fired power plants. On 20 October 2011, the FCO levied a fine of €42 million against ALSTOM Power Systems GmbH and two of its former officers, as well as against two competitors now bankrupt for alleged cartel arrangements between 1990 and 2003. This decision is final and the fine has been paid by Alstom. In addition the Group has reached agreements with regard to three out of four potential customer claims for civil actions. On 29 December 2011 the fourth customer filed a civil action against a German Alstom affiliate before the Dortmund Regional Court for an amount of €33 million, plus interests. Alstom contests.

**Alleged illegal payments**

Certain companies and/or current and former employees of the Group have been or are currently being investigated in various countries, by judicial authorities (including in France, in the United States of America and in the United Kingdom) and development banks with respect to alleged illegal payments. These procedures may result in fines, exclusion of Group subsidiaries from public tenders and third-party actions.

The World Bank sanctioned Alstom for improper payment of €110,000 made in 2002 in relation to a World Bank–financed Zambian power rehabilitation project. On 22 February 2012, as part of a negotiated resolution 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 3 years, which can be reduced to 21 months subject to certain conditions Alstom intends to respect. The Group paid also a restitution amount of \$9.5 million. This debarment qualifies for cross-debarment by the other multilateral development banks pursuant to the Agreement of Mutual Recognition of Debarments signed on 9 April 2010.

On 22 November 2011, the Swiss Office of Attorney General closed the investigations opened in 2007 to determine whether the Alstom Group and some of its entities had violated rules prohibiting the payment of foreign civil servants to unlawfully win commercial contracts. After thorough investigations, the Office of Attorney General has concluded the absence of any bribery system or so called slush funds used for bribery of civil servants to illegally obtain contracts and sanctioned the company for corporate negligence in three isolated cases, imposing a fine of CHF 2.5 million, to which is added the payment of an amount corresponding to the estimated profits of the orders of CHF 36.4 million. Alstom has also paid reparation in the amount of CHF 1 million to the International Committee of the Red Cross. The Office of Attorney General has issued a dismissal order acquitting the Alstom Group and its entities of any additional wrongdoing, fully closing its investigations.

**US litigation following an accident in the Washington D.C. metro**

On 22 June 2009, a collision between two metro trains occurred in the Washington D.C. metro resulting in the death of 9 persons and the injury of 52 persons. The claims against Alstom Signaling Inc. initially amounted to approximately \$475 million. A report of the National Transportation Safety Board on the causes of the accident partially implicated equipment supplied by Alstom Signaling Inc. As of today, 120 claims have been made. The 29 most serious claims were asserted through lawsuits. Of these 29 claims, 25 have been settled for a cost of about \$10.2 million and efforts are currently underway to settle the remaining four cases. All other cases have been settled. All the claims have been declared to the Group's insurers and Alstom believes it has adequate insurance coverage.

**Budapest metro**

In 2006, Alstom was awarded by BKV a contract for the delivery of 22 Metropolis metros for Line 2 and 15 metros for Line 4 for 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 immediately thereafter all bank guarantees amounting in total to approximately €130 million. This amount was paid in June 2011. 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 homologation for the Final Type License was obtained in July 2012. On 17 December 2012, the arbitration resumed to solve notably the issue of the damages resulting from the past termination of the contract. The contract execution is ongoing.

**Lignite-fired station in Maritza**

In 2006, Alstom was awarded by AES a contract for the manufacture of a lignite-fired station in Maritza, Bulgaria. During the execution of the project, Alstom experienced delays and works disruptions mostly due to the defective nature of the lignite supplied by AES. In February 2011, AES called the performance bank guarantee amounting to approximately €150 million. This amount was paid in July 2011. In addition, in March 2011, AES terminated the contract. An arbitration procedure initiated by Alstom, for wrongful termination notably, is on-going. According to the latest arbitral timetable, the hearings before the Arbitral Tribunal are postponed until December 2013 to January 2014.

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 29. Lease obligations**

(in € million)	Total	Maturity of lease payments		
		Within 1 year	1 to 5 years	Over 5 years
Long term rental <sup>(*)</sup>	467	51	189	227
Capital leases	127	22	78	27
Operating leases	356	71	193	92
<b>Total at 31 March 2013</b>	<b>950</b>	<b>144</b>	<b>460</b>	<b>346</b>
Long term rental <sup>(*)</sup>	529	56	215	258
Capital leases	148	25	83	40
Operating leases	308	65	152	91
<b>Total at 31 March 2012</b>	<b>985</b>	<b>146</b>	<b>450</b>	<b>389</b>

*(\*) Obligations related to lease of trains and associated equipments (see Note 24) including interests to be paid.*

**Note 30. Independent Auditors' fees**

Fees due to auditors and members of their networks in respect of years ended 31 March 2013 and 31 March 2012 were as follows:

<i>(in € million)</i>	<b>Year ended 31 March 2013</b>				<b>Year ended 31 March 2012</b>			
	Mazars		Pricewaterhouse Coopers		Mazars		Pricewaterhouse Coopers	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Audit</b>								
Independent Auditors' diligence, certification, review of individual and consolidated accounts	6.9	86%	12.0	92%	7.0	94%	11.4	79%
. <i>Alstom SA</i>	0.8	10%	1.4	11%	0.8	11%	1.5	10%
. <i>Controlled entities</i>	6.1	76%	10.6	81%	6.2	83%	9.9	69%
Other audit diligence and audit related services	0.9	12%	0.7	5%	0.4	5%	2.8 <sup>(*)</sup>	19%
. <i>Alstom SA</i>	-	0%	0.1	1%	0.1	1%	-	0%
. <i>Controlled entities</i>	0.9	12%	0.6	4%	0.3	4%	2.8	19%
<b>Sub-total</b>	<b>7.8</b>	<b>98%</b>	<b>12.7</b>	<b>97%</b>	<b>7.4</b>	<b>99%</b>	<b>14.2</b>	<b>98%</b>
<b>Other services</b>								
Legal, tax and social	0.2	2%	0.3	3%	0.1	1%	0.3	2%
Other	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>0.2</b>	<b>2%</b>	<b>0.3</b>	<b>3%</b>	<b>0.1</b>	<b>1%</b>	<b>0.3</b>	<b>2%</b>
<b>Total</b>	<b>8.0</b>	<b>100%</b>	<b>13.0</b>	<b>100%</b>	<b>7.5</b>	<b>100%</b>	<b>14.5</b>	<b>100%</b>

(\*) of which € 2,2million relating to due diligence services rendered in connection with business combinations and directly linked to the statutory auditor engagement. These services were pre-approved by the Audit Committee and are compliant with French independence rules and Alstom's requirements.

**Note 31. Related parties**

The Group has identified the following related parties:

- Shareholders of the Group
- Associates & joint ventures
- Key management personnel

**31.1 Shareholders of the Group**

Bouygues, a French company listed on Paris stock market, is the main shareholder holding more than 5% of the parent company's share. At 31 March 2013, Bouygues holds a 29.4% stake in Alstom share capital.

**31.2 Related-party disclosures**

(in € million)	Year ended 31 March 2013		At 31 March 2013	
	Income	Expenses	Receivables	Liabilities
Joint ventures	88	1	24	1
Associates	1	-	5	-



### 31.3 Key management personnel

The Group considers that key management personnel as defined by IAS 24 are the members of the Executive Committee at 31 March 2013.

(in € thousand)	Year ended 31 March 2013	Year ended 31 March 2012
<b>Short-term benefits</b>	<b>8,611</b>	<b>8,254</b>
Fixed gross salaries	4,287	4,581
Variable gross salaries <sup>(1)</sup>	4,324	3,673
<b>Post-employment benefits</b>	<b>4,195</b>	<b>3,367</b>
Post-employment defined benefit plans	4,047	3,171
Post-employment defined contribution plans	148	196
Other post-employment benefits	-	-
<b>Other benefits</b>	<b>1,129</b>	<b>795</b>
Non monetary benefits	131	54
Share-based payments <sup>(2)</sup>	998	741
<b>Total</b>	<b>13,935</b>	<b>12,416</b>

(1) Includes long-term conditional compensation plan allocated to the Chairman and CEO.

(2) Expense recorded in the income statement in respect of stock option plans and free shares.

#### Note 32. Subsequent events

The Group has not identified any subsequent event to be reported.

#### Note 33. Major companies included in the scope of consolidation

The major companies of the Group are listed below and selected according to one of the following criteria: significant holding companies or sales above €100 million for the year ended 31 March 2013. The list of all consolidated companies is available upon request at the head office of the Group.

<b>Companies</b>	<b>Country</b>	<b>Ownership %</b>	<b>Consolidation Method</b>
<b>Parent company</b>			
ALSTOM	France	-	Parent company
<b>Holding companies</b>			
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM Hydro Holding	France	100%	Full consolidation
ALSTOM Deutschland AG	Germany	100%	Full consolidation
ALSTOM Spa	Italy	100%	Full consolidation
ALSTOM NV	Netherlands	100%	Full consolidation
Alstom Transport Holdings BV	Netherlands	100%	Full consolidation
ALSTOM Grid Finance BV	Netherlands	100%	Full consolidation
ALSTOM Renewable Holding BV	Netherlands	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
ALSTOM UK Holdings Ltd	United Kingdom	100%	Full consolidation
ALSTOM Inc	USA	100%	Full consolidation
ALSTOM Transport Holding US Inc.	USA	100%	Full consolidation
<b>Industrial companies</b>			
ALSTOM Grid Australia Ltd	Australia	100%	Full consolidation
ALSTOM Limited (Australia)	Australia	100%	Full consolidation
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Grid Energia Ltda	Brazil	100%	Full consolidation
ALSTOM Power & Transport Canada Inc.	Canada	100%	Full consolidation
ALSTOM Grid Canada, Inc	Canada	100%	Full consolidation
ALSTOM Hydro China Co., Ltd	China	100%	Full consolidation
Casco Signaling Ltd	China	50%	Proportionate consolidation
ALSTOM Estonia AS	Estonia	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Power Systems SA	France	100%	Full consolidation
ALSTOM Grid SAS	France	100%	Full consolidation
ALSTOM Power Service	France	100%	Full consolidation
ALSTOM Hydro France	France	100%	Full consolidation
COGELEX	France	100%	Full consolidation
ALSTOM Transport Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Power Systems GmbH	Germany	100%	Full consolidation
ALSTOM Power GmbH	Germany	100%	Full consolidation
ALSTOM Boiler Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Grid GmbH	Germany	100%	Full consolidation
ALSTOM Power Energy Recovery GmbH	Germany	100%	Full consolidation
ALSTOM T&D India Limited	India	80%	Full consolidation
ALSTOM India Limited	India	69%	Full consolidation
ALSTOM Ferrovaria S.p.A	Italy	100%	Full consolidation
ALSTOM K.K.	Japan	100%	Full consolidation
ALSTOM Services Sdn Bhd	Malaysia	100%	Full consolidation
Cerrey - Babcock & Wilcox	Mexico	25%	Equity method
ALSTOM Mexicana S.A. de C.V.	Mexico	100%	Full consolidation
The Breakers Investments B.V. (Transmashholding)	Netherlands	25%	Equity method

<b>Companies</b>	<b>Country</b>	<b>Ownership %</b>	<b>Consolidation Method</b>
ALSTOM Power Sp.z o.o.	Poland	100%	Full consolidation
ALSTOM Asia Pte Ltd	Singapore	100%	Full consolidation
ALSTOM S&E Africa (Pty)	South Africa	100%	Full consolidation
ALSTOM Power Service (Pty) Ltd	South Africa	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
ALSTOM Renovables Espana, S.L.	Spain	100%	Full consolidation
ALSTOM Power Sweden AB	Sweden	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
ALSTOM Taiwan Ltd	Taiwan	100%	Full consolidation
ALSTOM Grid Enerji Endustrisi A.S	Turkey	100%	Full consolidation
ALSTOM Middle East FZE	United Arab Emirates	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Power Inc.	USA	100%	Full consolidation
BrightSource Energy	USA	25%	Equity method
POWER SYSTEMS MFG., LLC	USA	100%	Full consolidation
ALSTOM Boilers US LLC	USA	100%	Full consolidation
ALSTOM Grid Inc.	USA	100%	Full consolidation