

# Half-Year Results Fiscal Year 2011/12

3 November 2011

*We are shaping the future*

**ALSTOM**

# Agenda

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| 1. | Key highlights of the first half 2011/12 | Page 3  |
| 2. | Operational review by Sector             | Page 16 |
| 3. | Financial results                        | Page 37 |
| 4. | Conclusion                               | Page 43 |

# Key events of the first half 2011/12

## ENVIRONMENT

*Lack of economic momentum*

- Greek crisis and instability of the euro zone
- Disappointing leading indicators in industrialised countries (GDP growth, unemployment, ...)

## FIRST HALF RESULTS

*In line with expectations*

- P&L and FCF impacted by the low level of past orders
- Continued commercial recovery supported by emerging markets

## R&D/PARTNERSHIPS

*Major achievements*

- Significant milestones in gas turbines
- Key developments in Russia and China

# Key figures (1/2)

## Commercial rebound confirmed

<i>In € million</i>	<b>Sept 2010*</b>	<b>Sept 2011</b>	<b>Variation</b>	
			<i>Excl. Grid</i>	<i>Incl. Grid</i>
Orders received	7,038	<b>10,183</b>	+48%	+45%
Backlog	45,287	<b>47,382</b>	+6%	+5%
<i>Book-to-bill ratio</i>	0.67	<b>1.08</b>	-	-

\* With Grid consolidated for 4 months (from June to September 2010)

## Key figures (2/2)

As anticipated, operational performance reached a low point in H1

<i>In € million</i>	<b>Sept 2010*</b>	<b>Sept 2011</b>	<b>Variation</b>	
			<i>Excl. Grid</i>	<i>Incl. Grid</i>
Sales	10,432	<b>9,389</b>	-15%	-10%
Income from operations <i>Operating margin</i>	763 7.3%	<b>627</b> <b>6.7%</b>	-	-18%
Net income**	401	<b>363</b>	-	-9%
Free cash flow	(963)	<b>(914)</b>	-	-

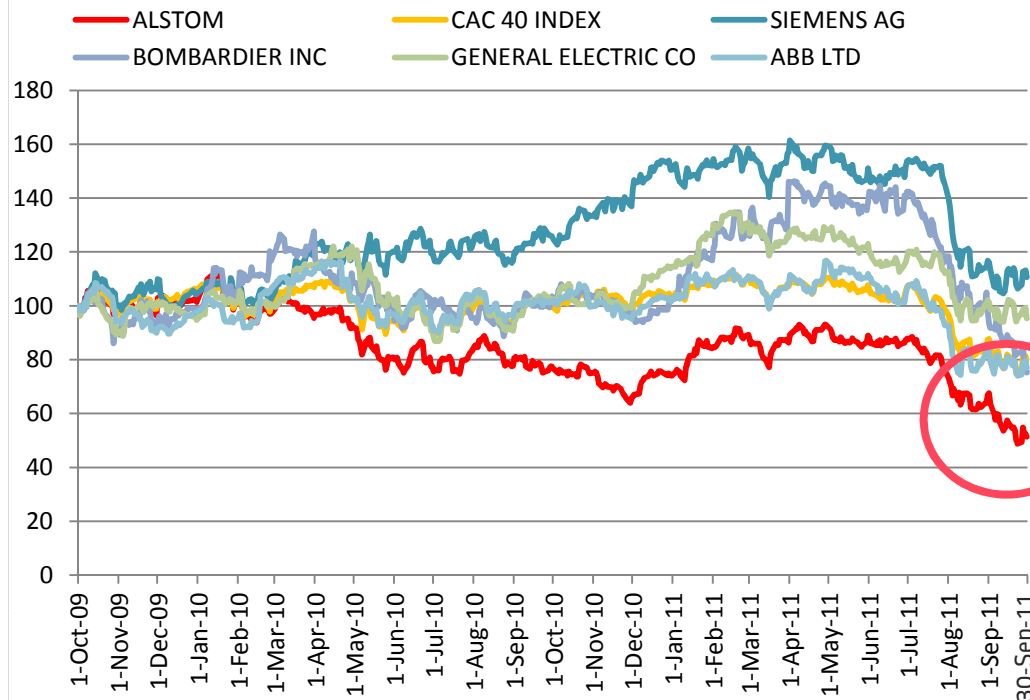
\* With Grid consolidated for 4 months (from June to September 2010)

\*\* After a negative impact from Grid purchase price allocation and acquisition costs of respectively €75 million in H1 2010/11 and €54 million in H1 2011/12

# Evolution of the share price

## Confidence crisis

### The 'bear' view



1. Scarcity of new power plant projects due to financing issues
2. Loss of market shares due to Asian new comers and weakness versus traditional competitors
3. Low margin contracts in emerging countries
4. Concerns on implementation of restructuring plans
5. Doubts on the financial structure

# 1. Market environment today

## A two-speed world with unchanged drivers

### POWER

#### MATURE ECONOMIES

- **Lack of visibility and current sufficient reserve margins** impacting investment decisions for new power plants
- Nuclear phase out in Germany offering opportunities
- Growth in wind
- Service and retrofit sustained

#### FAST GROWING ECONOMIES

- Strong investments for both thermal and renewables in Asia still linked to **GDP growth**
- Resilient demand in MENA and Russia driven by energy prices
- Needs in Eastern Europe for both export and domestic markets

### TRANSPORT

- Projects delayed in South Europe and USA
- Northern Europe more active (Germany, UK, Scandinavia)
- Continuous deregulation and privatisation

- Overall active markets for rolling stock and signalling, especially in Russia and India
- Chinese rail projects impacted by recent safety issues

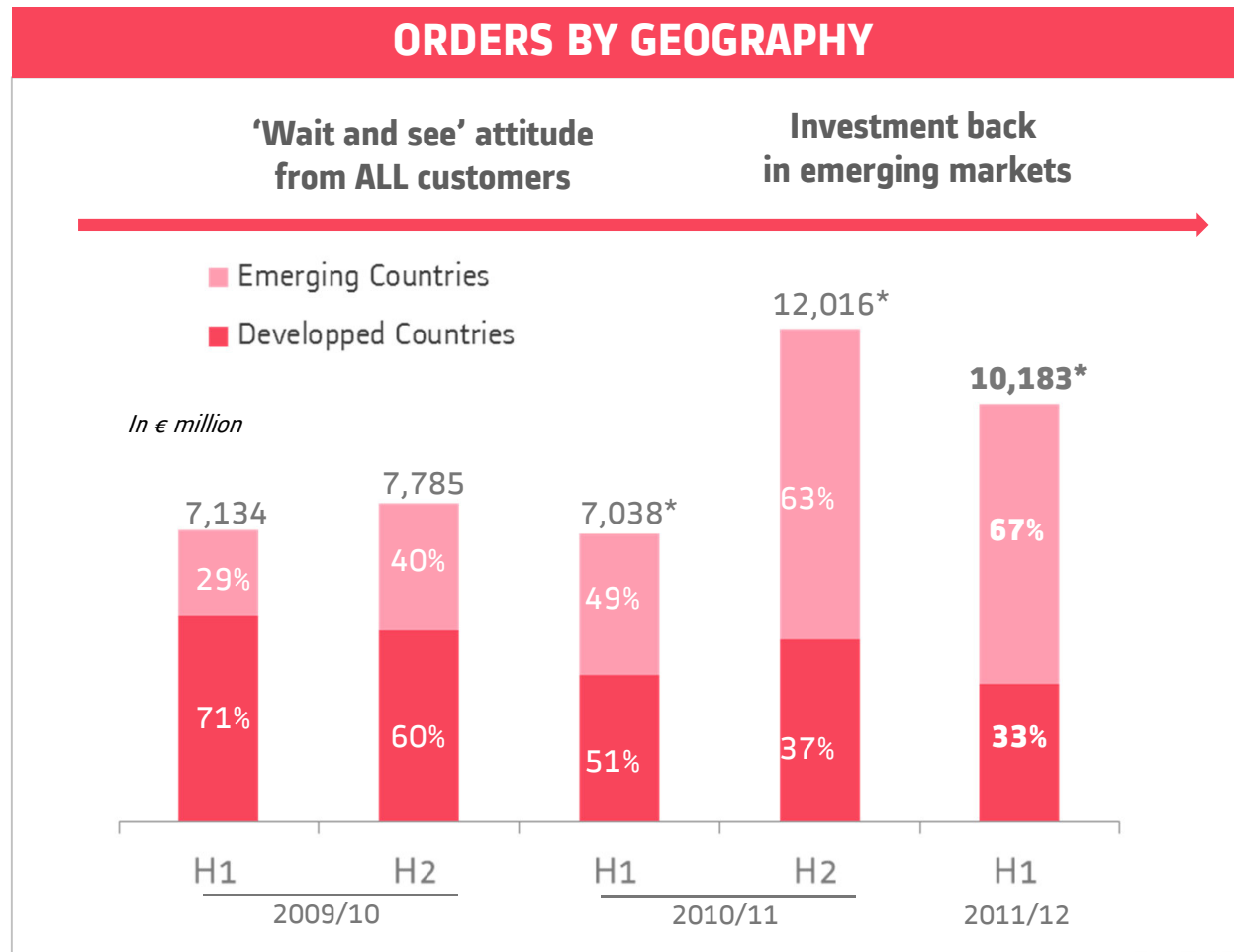
### GRID

- Market growth driven by HVDC and developments in renewables

- Very active demand but strong competition
- Impact of instability in MENA

# 1. Orders by destination

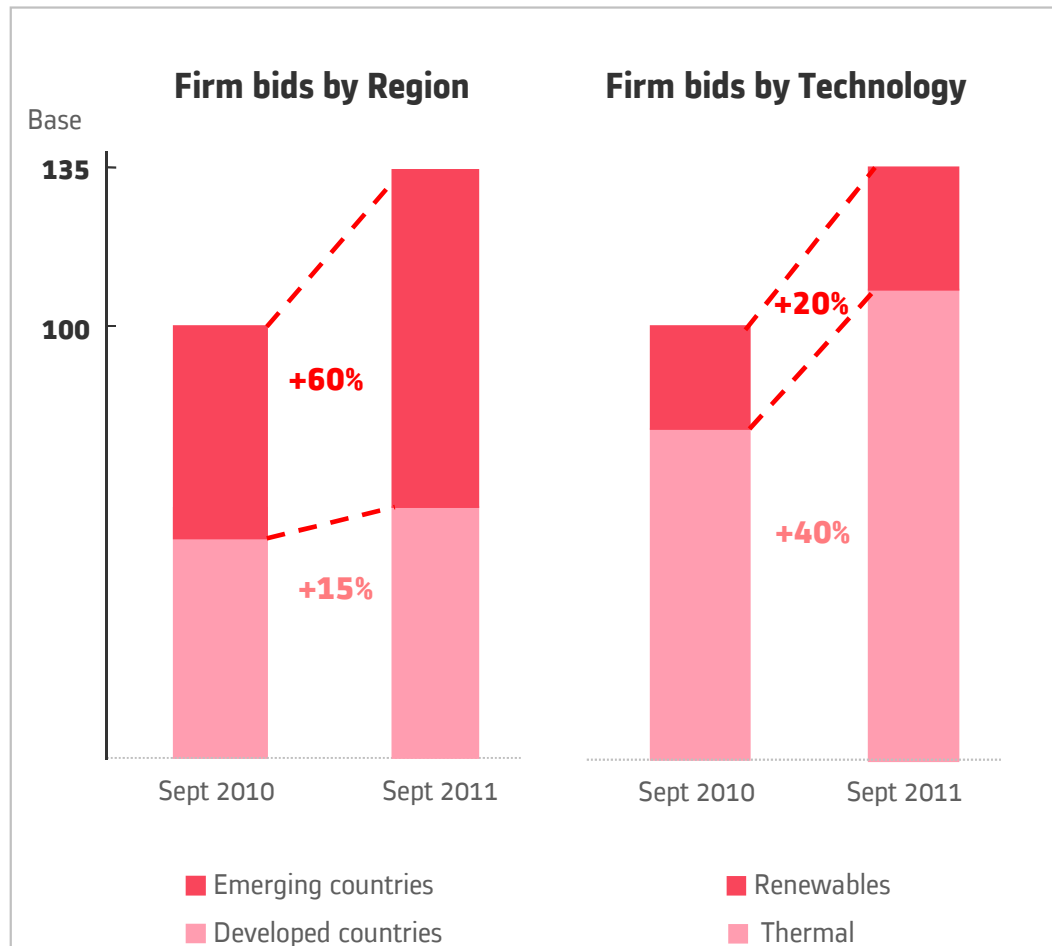
Orders coming today from emerging markets where growth is driving demand and financing is not an issue





# 1. Focus on Power

Strong tendering activity translating into orders



A few examples of successes...

- Numerous thermal and renewable power projects booked in H1 (Malaysia, Estonia, Singapore, India, Brazil)
- Several large coal and gas contracts expected in H2

## 2. Enlarged playground

### Global markets



- Successful strategy to capture growth where it is
- Quality, technology, reliability, experience, service, turnkey being also part of customer needs in emerging markets
- New competitors targeting different projects for which low capital costs prevail

## 2. Positioning *vis a vis* the traditional competitors

### No market share loss on the 'addressable' market

#### POWER # 3

#### We did not participate...

- Gas: small turbines (below 100MW), 60Hz market, very large turbines
- Limited access to coal market in China
- Small presence in wind (only onshore)



#### But our offering is evolving...

- Upgrade of GT26 (50 Hz) and re-launch of GT24 (60Hz)
- JV with Shanghai Electric in boilers
- Strong organic developments in onshore (Brazil, USA) and offshore

#### TRANSPORT # 2

- Geographical mix not favourable for Alstom (UK, Germany, China...)
- Low cost products in emerging markets



- Successful entry in Russia and India
- Development of specific products to cope with local demand

#### GRID # 3

- HVDC Voltage Source Converter
- Ultra HVDC 800 kV+
- Automation business impacted by split Schneider/Alstom



- HVDC VSC now commercial, first success with Tres Amigas (USA)
- Factories / test labs upgraded, ultra HVDC prototype successfully tested
- Automation redeployment ahead of schedule

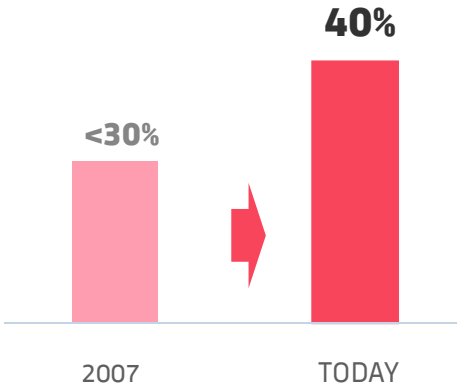
# 3. Margin in emerging countries

Localisation is key

**MANUFACTURING & JV/PARTNERSHIPS**



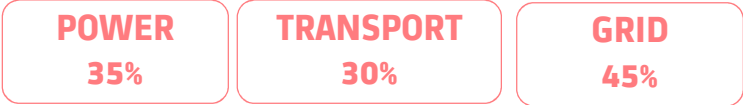
**EMPLOYEES**



**Contracts taken in emerging countries vs in mature markets**

- Focus on projects and scopes where technology can be leveraged
- Similar margins for similar projects

**SOURCING IN LCC**



## 4. Restructuring plans

On-going process  
Well dimensioned to adapt to current demand

TARGET



ACHIEVED

30/09/2011



**POWER**

3,500 permanent by March 2012  
(-20% of employees in Western Europe  
and NAM)

1,900 (>1/2)

**TRANSPORT**

1,380 positions by March 2013  
(-8% of employees in Western Europe)

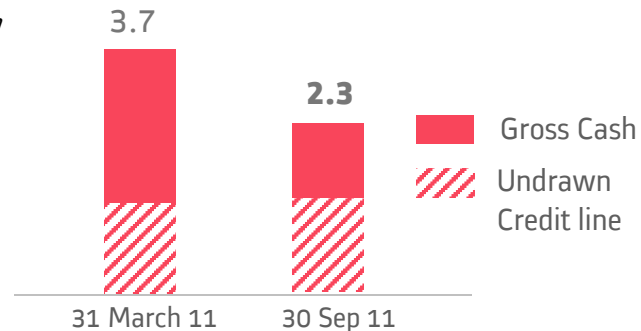
450 (1/3)

## 5. Financial structure

### Robust financial situation despite negative FCF in H1

#### Liquidity position

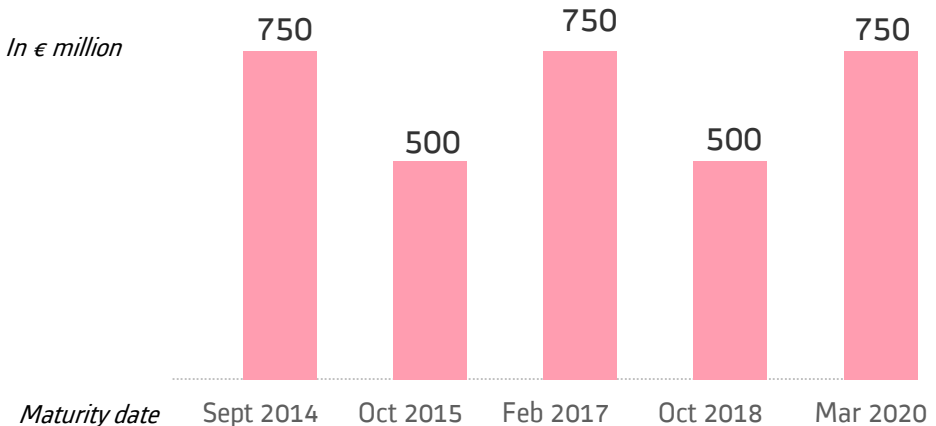
In € billion



- A €1 billion syndicated credit line with 25 banks fully undrawn maturing in 2013
- Large headroom on covenants at end of Sept 11:
  - Minimum interest cover=12 (>3)
  - Maximum total net debt leverage=2 (<3.6)

#### Gross debt: no repayment before 2014

In € million



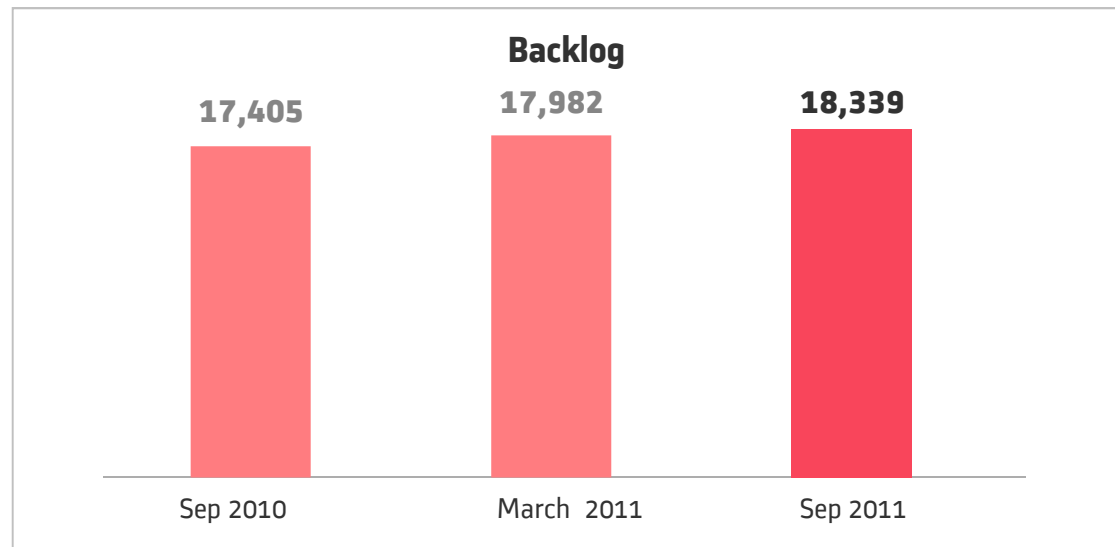
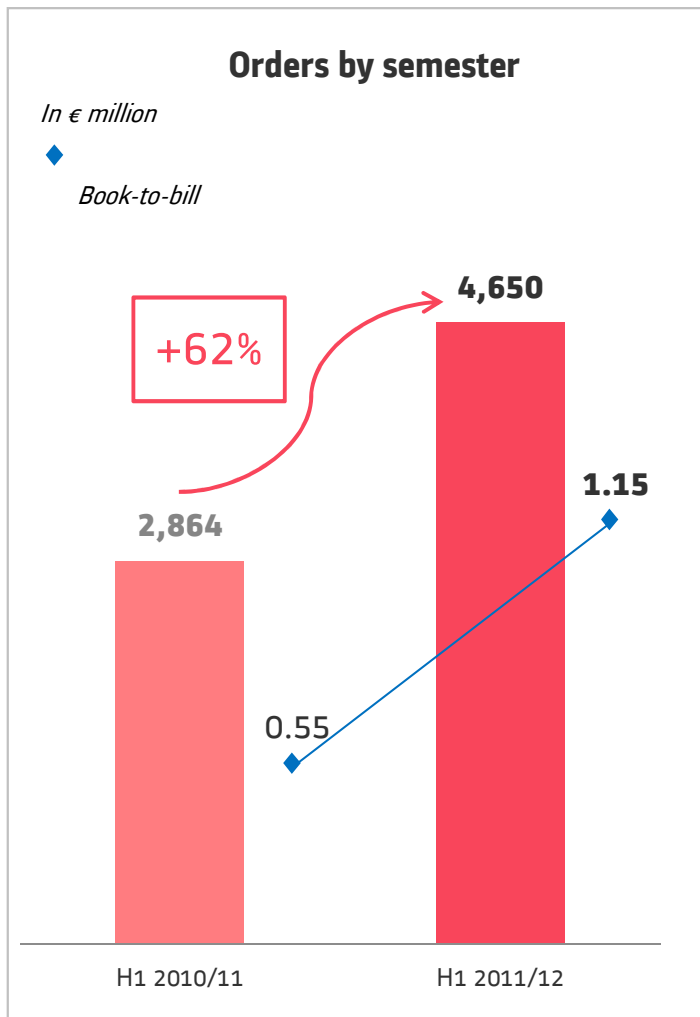
#### Bonding & guarantees

- An €8.3 billion syndicated line with 11 banks available until July 2013 (€2.0 billion undrawn at end of Sept 11)
- Bilateral lines of €20.1 billion at end of Sept 11 (of which €10.6 billion available)

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# Thermal Power Key figures (1/2)



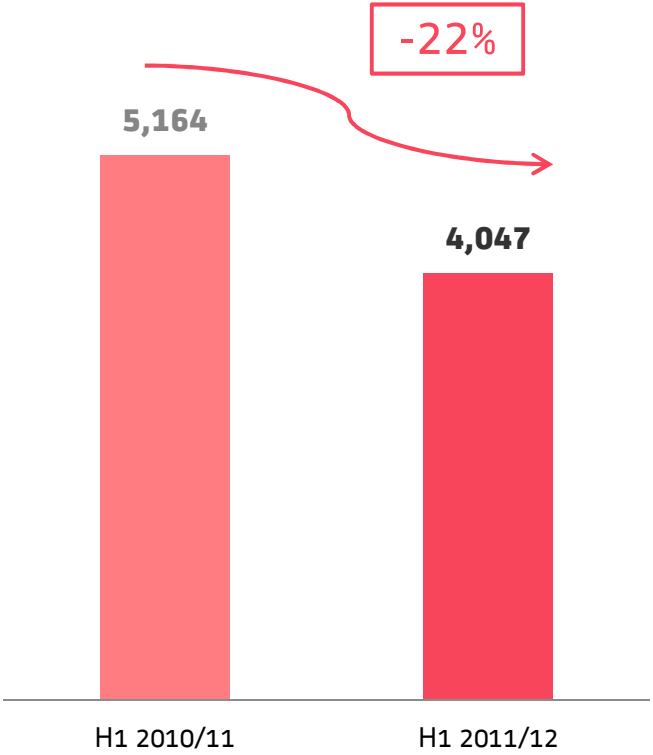
- Strong order recovery (even without big tickets in Q2)
- 2 steam plants booked
- 8 gas turbines registered in H1 (vs 9 last full fiscal year)
- Sound Service and ECS activities



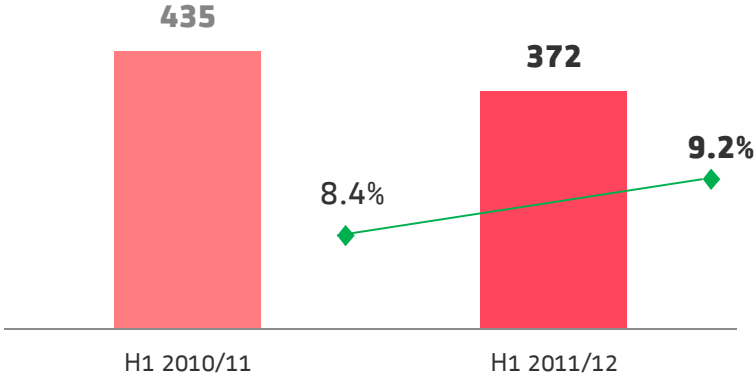
# Thermal Power Key figures (2/2)

### Sales by semester

In € million

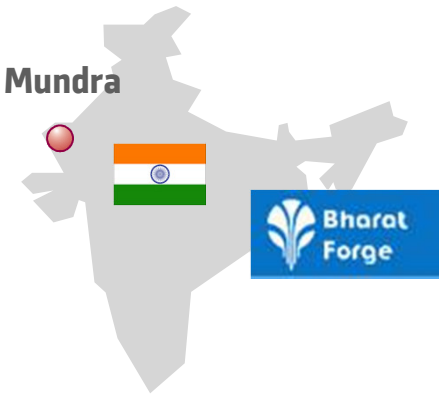
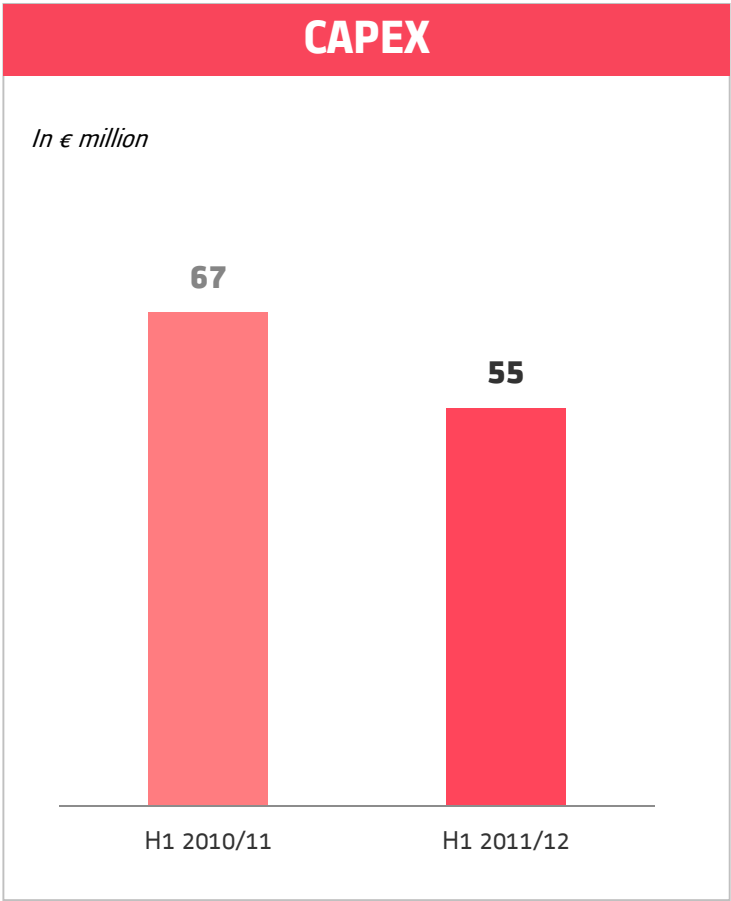


### Income from operations and operating margin



- Low point in sales, as expected, due to weak past orders
- Margin sustained despite lower volume, thanks to favorable mix and actions on costs

# Thermal Power Main events: capex



**Steam turbines:**  
Alstom/Bharat Forge plant



# Thermal Power

## Main events: technology and partnerships

### GAS

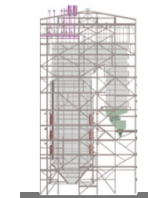
Turbines upgrades:  
**positive feedback from customers**

- KA 26
  - More than 500 MW
  - More than 61% efficiency
  - High flexibility
- KA 24
  - More than 700 MW (2 turbines/combined cycle)
  - More than 60% efficiency
  - High flexibility



### COAL

- JV with Shanghai Electric: discussions progressing



Boiler



- Agreement with Datang to jointly develop and test CCS technology in China

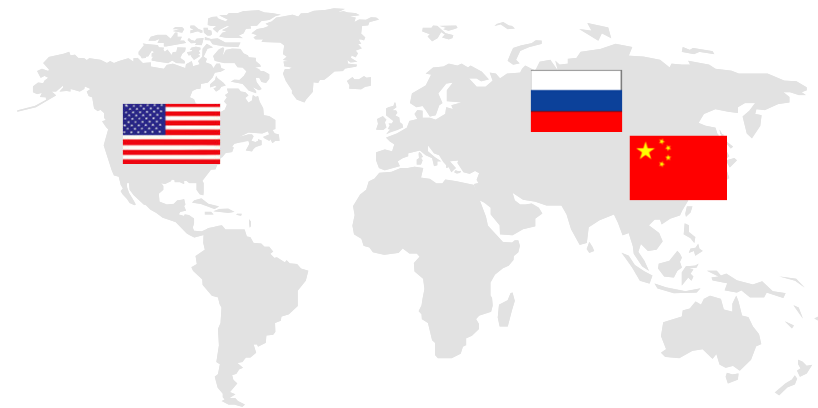


# Thermal Power

## Key priorities

### GROWTH

- Increase service
- Develop Asia, Russia and the USA
- Grow component sales



### TECHNOLOGY

*Continue high level of R&D*

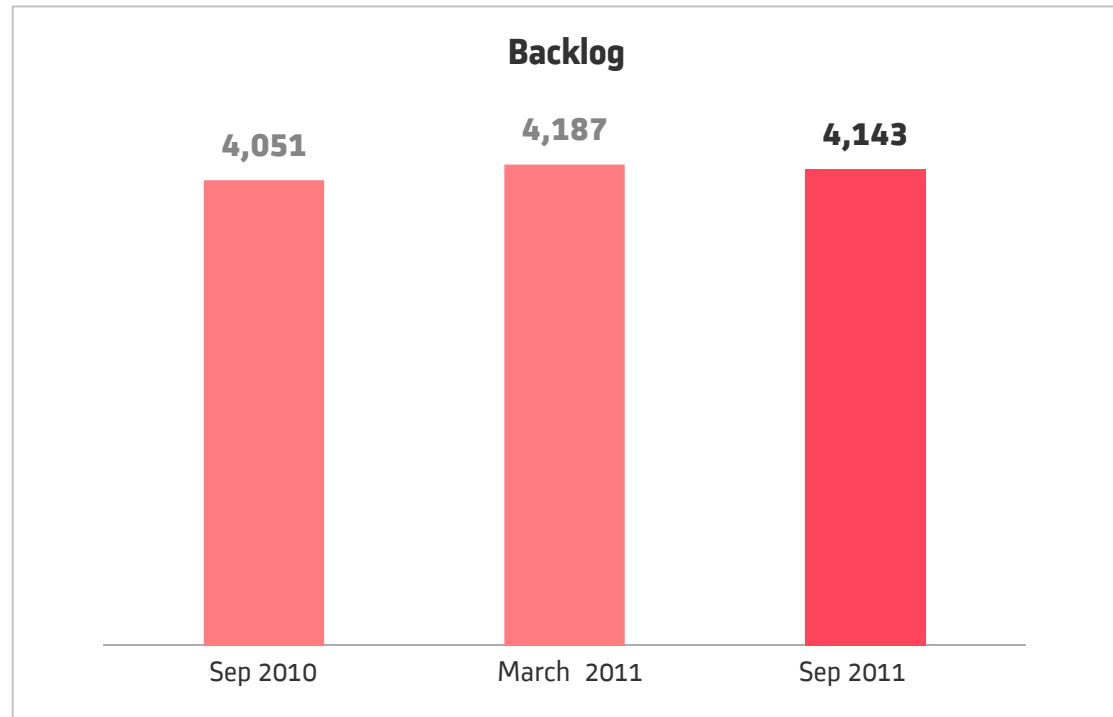
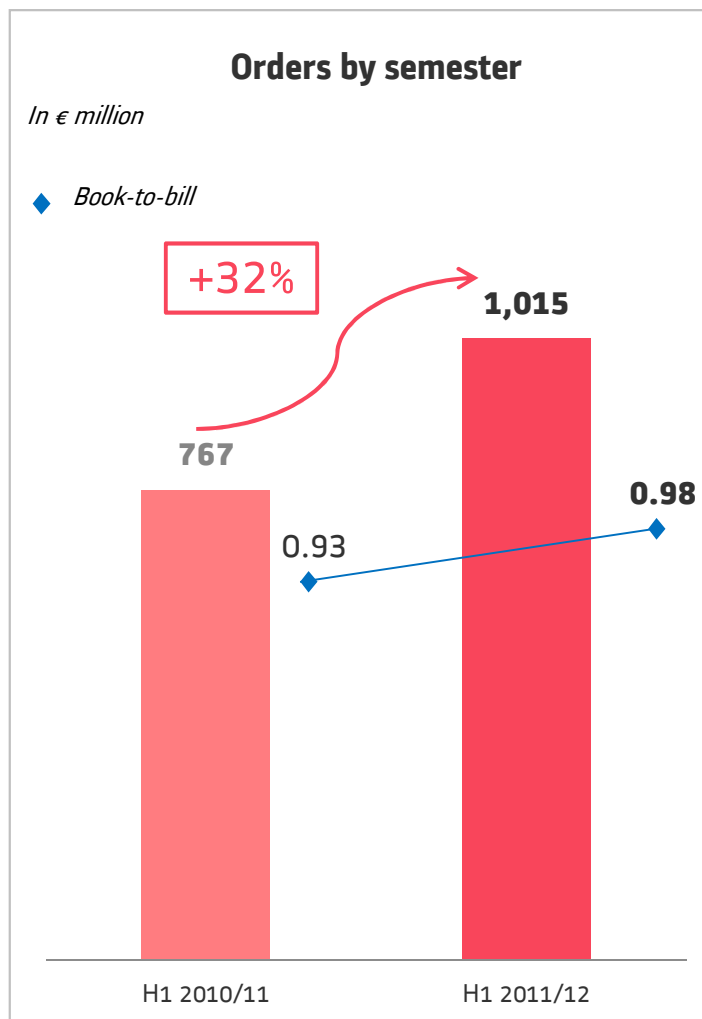


### OPERATIONAL EXCELLENCE

*Focus on quality, lead time reduction and cost competitiveness*



# Renewable Power Key figures (1/2)

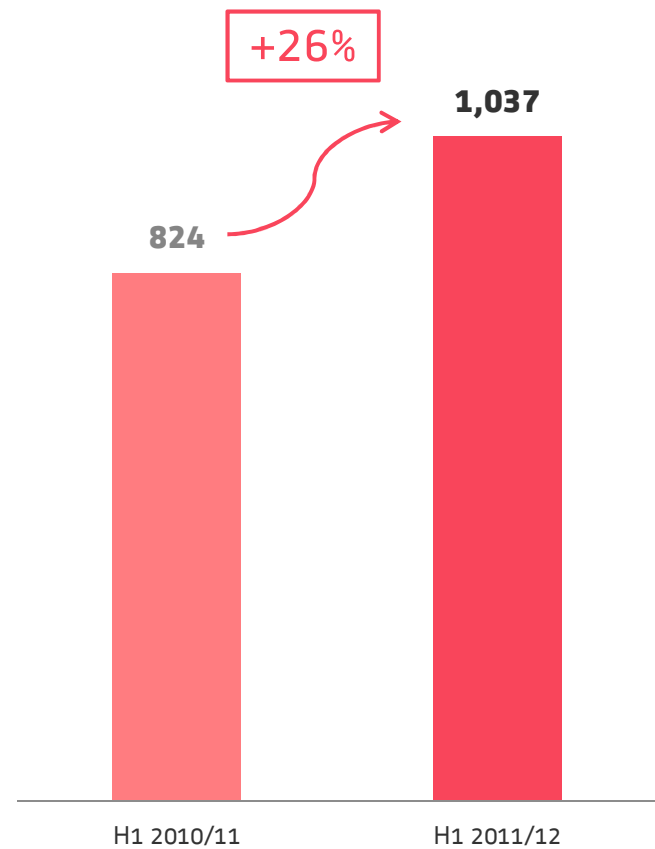


- Good volume in both hydro and wind
- Large number of small and medium sized contracts (no large ticket expected this year)

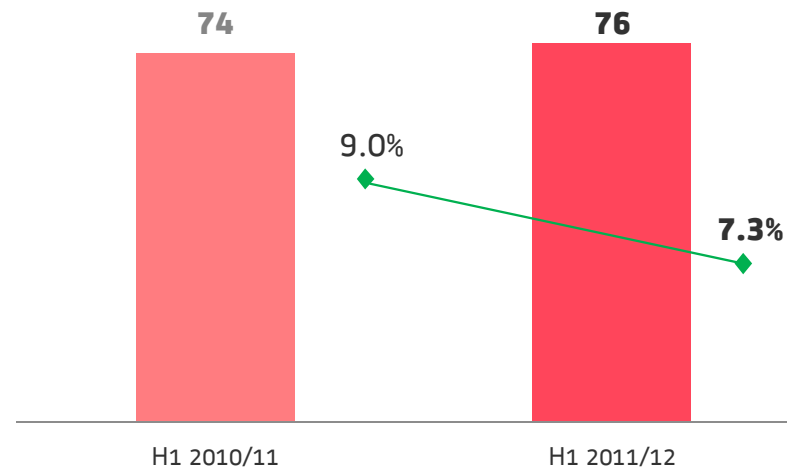
# Renewable Power Key figures (2/2)

## Sales by semester

*In € million*



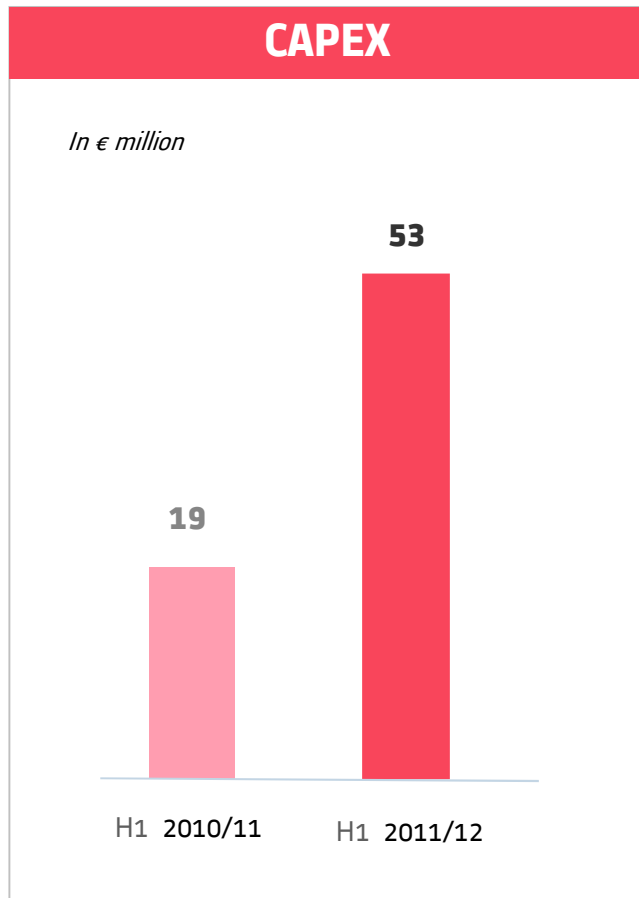
## Income from operations and operating margin



- Sustained contribution of hydro
- Decreasing margin due to mix effect (hydro vs wind) and price pressure in wind

# Renewable Power

## Main events: capex



Vadodara

**Hydro:**  
Inauguration of hydro  
equipment factory in  
Vadodara



Tianjin

**Hydro:**  
Extension of turbines  
factory in Tianjin



Bahia

**Wind:**  
Assembly factory in  
Bahia



# Renewable Power

## Main events: technology and partnerships

### HYDRO



Agreement with RusHydro to create a joint manufacturing facility to serve the Russian market



### WIND

#### ONSHORE



New turbine  
ECO 122 -  
2.7 MW

- Largest rotor in the 2 - 3MW turbine segment

#### OFFSHORE



- Strong consortium to bid for the French 3 GW offshore tender



### OCEAN ENERGY



Acquisition of 40% of AWS, a Scottish company specialising in wave energy





# Renewable Power

## Key priorities

### HYDRO

*Strengthen number 1 position through R&D, invest in high growth countries (China, JV Russia) and further develop ocean energy*



### WIND

*Grow organically through geographical deployment and entry in offshore*



### OTHER RENEWABLES

*Enlarge the portfolio of technologies (Concentrated Solar Power, geothermal, small steam turbines...)*

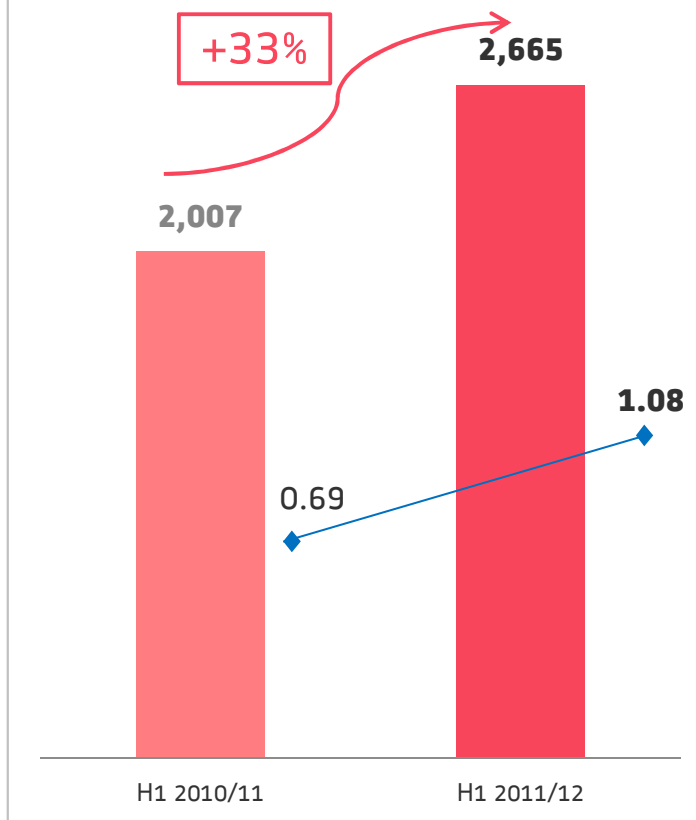


# Transport Key figures (1/2)

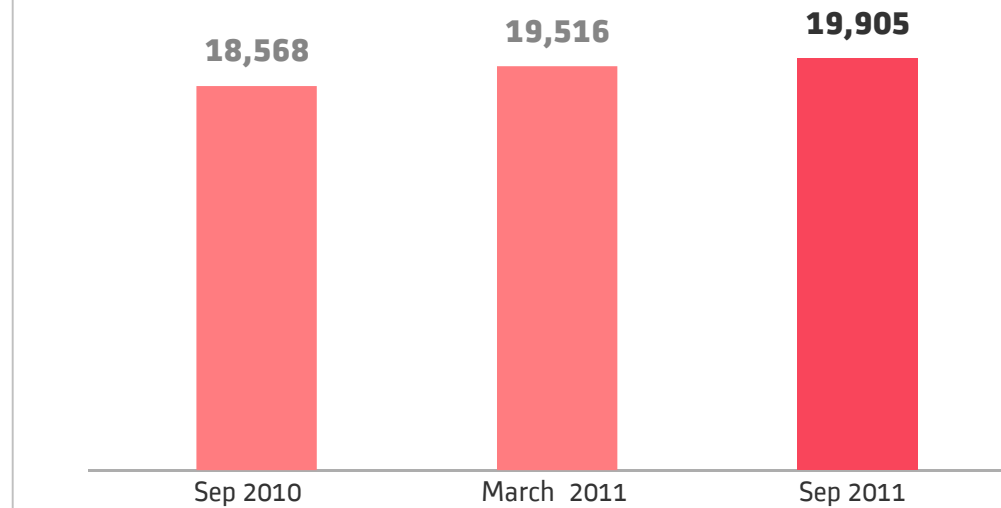
## Orders by semester

In € million

◆ Book-to-bill



## Backlog

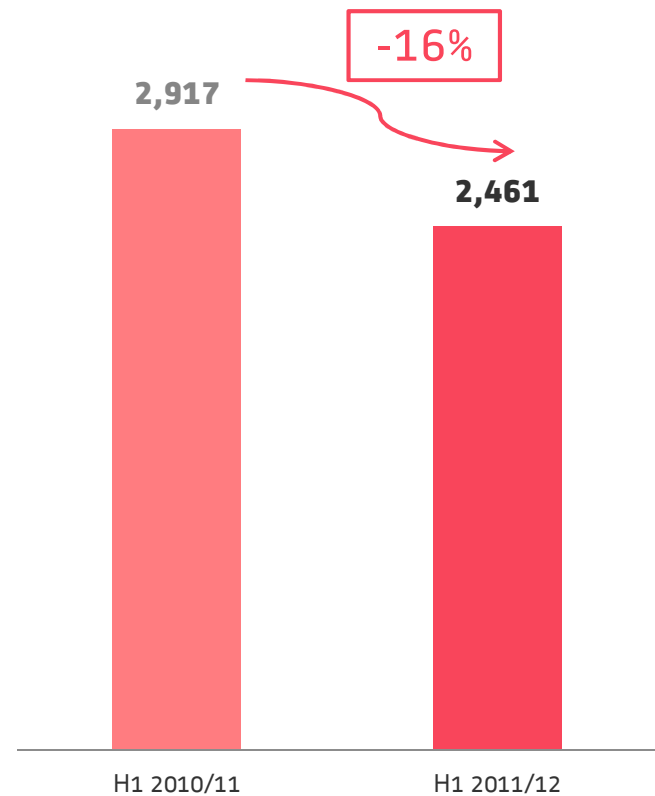


- Solid H1 driven by booking of large contracts taken in Russia and Eastern Europe

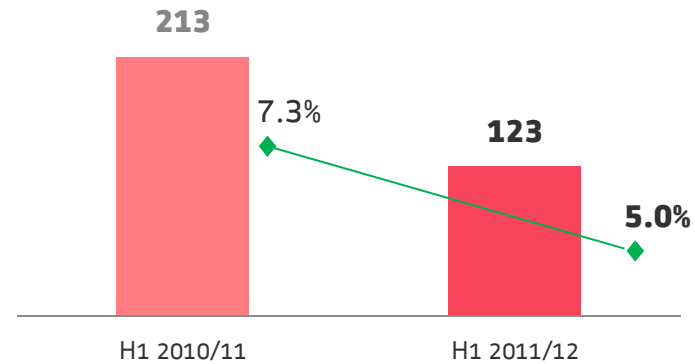
# Transport Key figures (2/2)

## Sales by semester

*In € million*



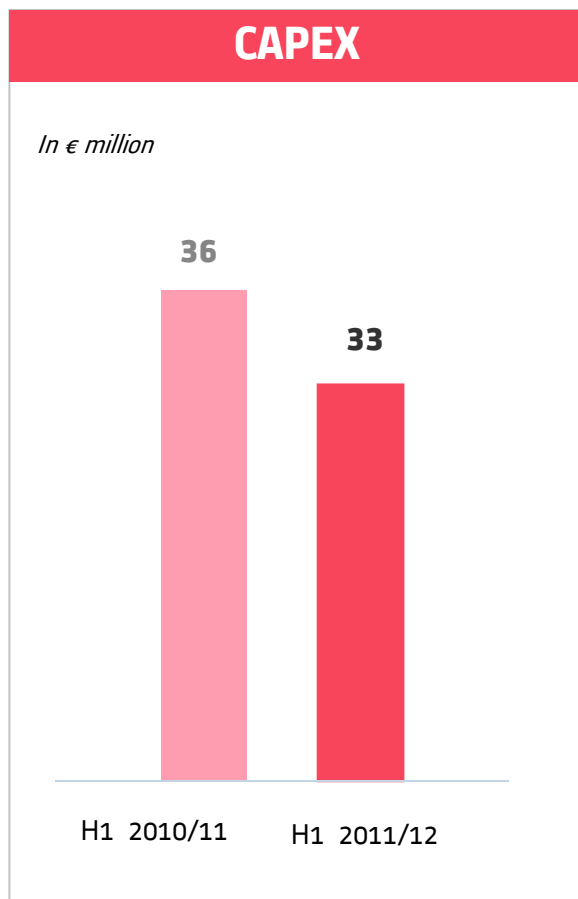
## Income from operations and operating margin



- Lower sales due to longer delivery times for projects in emerging markets
- Decrease of volume strongly impacting margin

# Transport

## Main events: capex



**Localisation in fast growing markets**



# Transport

## Main events: technology and partnerships



2010/11

Creation of 2 JVs with TMH



200 passenger locos with TMH for RZD



95 passenger locos (JV KTZ, TMH, Alstom)



200 freight locos (JV KTZ, TMH, Alstom)



H1 2011/12

Alstom owns 25% of TMH



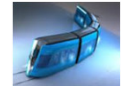
JV with Promelectronica (signalling)



200 freight locos with TMH for RZD



MOU for Astana tramway



JV with Kamkor (signalling)



- Partnership / JV
- Contracts / MOU

€1.65 bn of contracts for Alstom

Further opportunities in high speed, regional trains, mass transit...



# Transport

## Key priorities

### GLOBALISATION

- Leverage Russian partnership
- Increase penetration in fast growing countries



### BUSINESS DEVELOPMENT

- Focus on innovation tailored to market needs
- Boost service and signalling



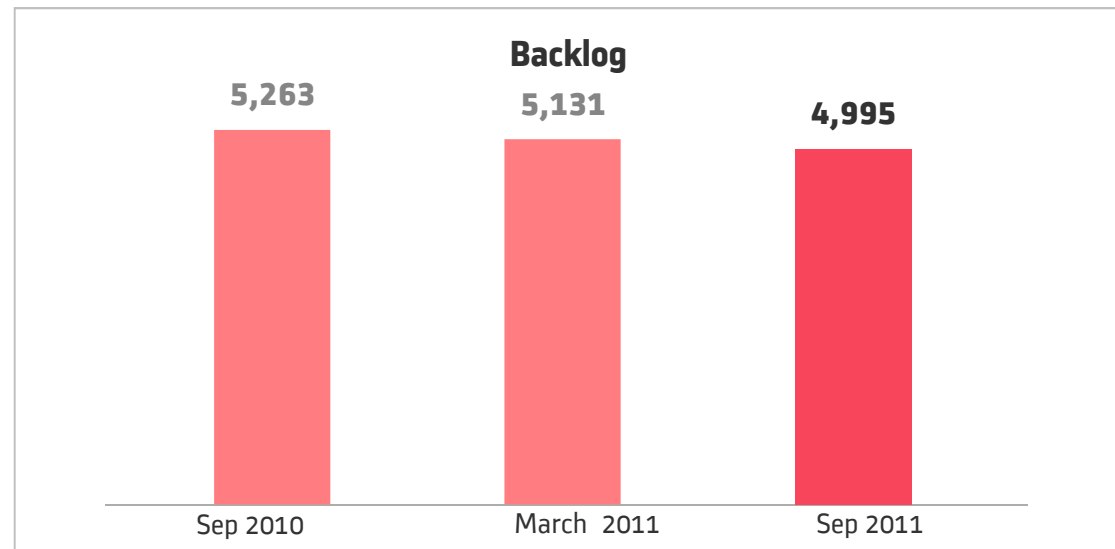
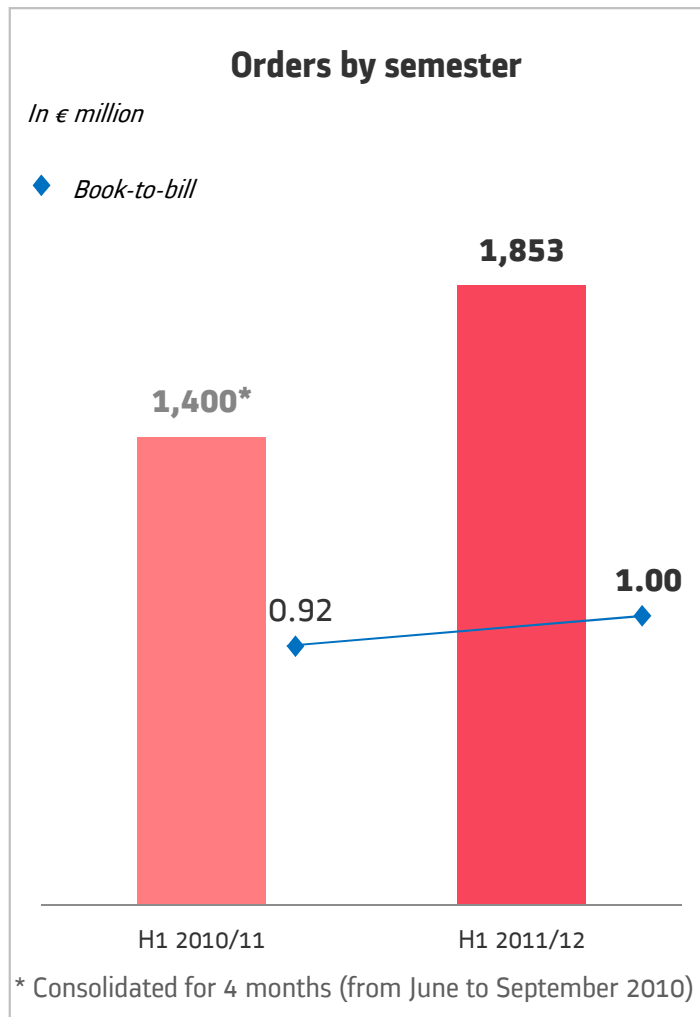
### BUSINESS EXCELLENCE

- Optimise footprint
- Work on quality



# Grid

## Key figures (1/2)



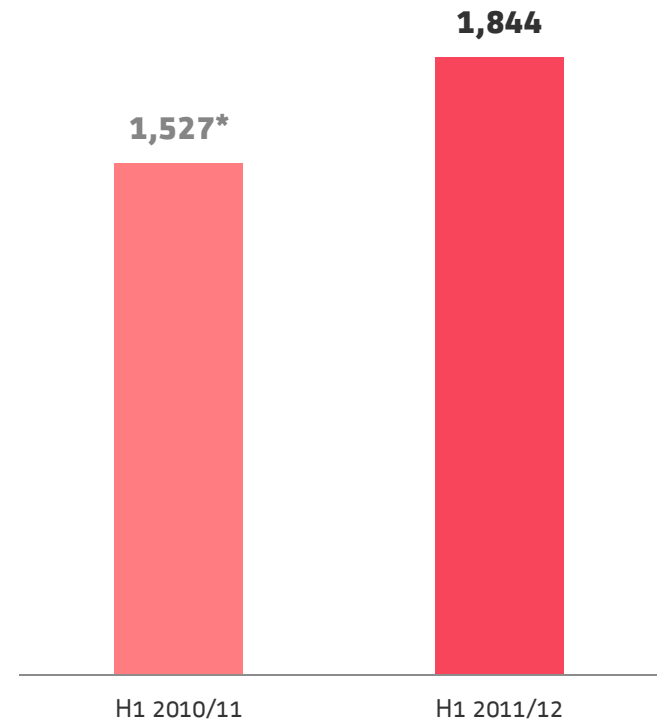
- Sustained volume of small and medium sized orders

# Grid

## Key figures (2/2)

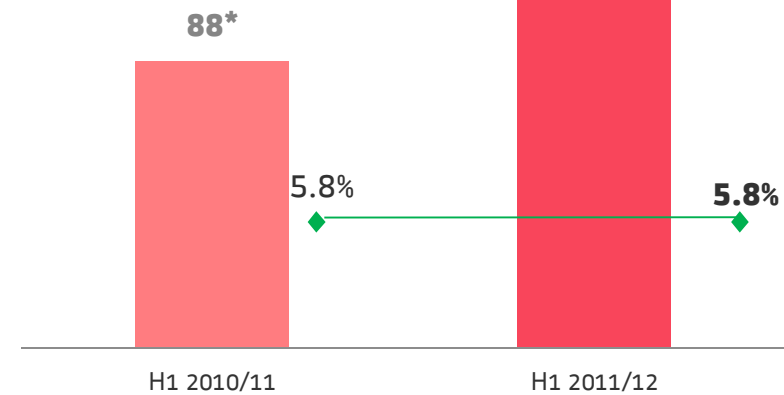
### Sales by semester

*In € million*



\* Consolidated for 4 months (from June to September 2010)

### Income from operations and operating margin

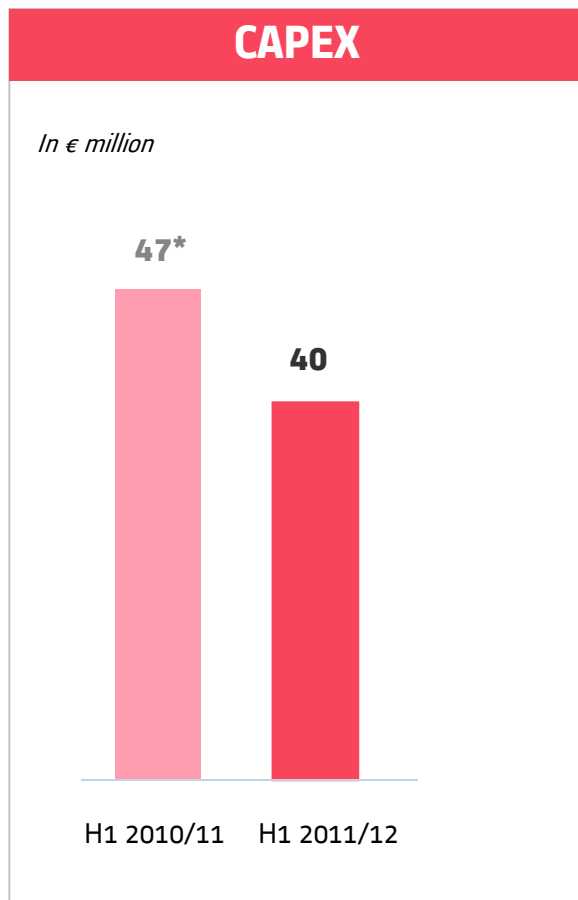


- Margin maintained despite impact of market price erosion



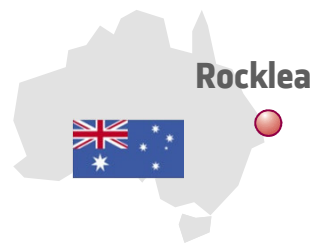
# Grid

## Main events: capex



\* Consolidated for 4 months (from June to September 2010)

P 33



Rocklea

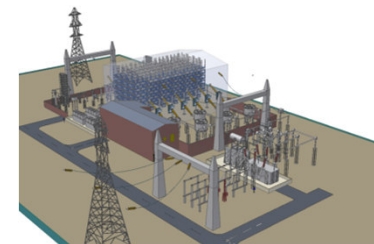
**Power Transformer:**  
Factory extension and  
upgrade + service center



Itajuba

Canoas

**HVDC:**  
Canoas 800kV Test Lab +  
Itajuba Capacitor  
production line



# Grid

## Main events: technology and partnerships

### PRODUCTS

- Commercial launch of HVDC VSC (Voltage Source Converter)



25 MW demonstrator with back-to-back converters commissioned

- Digital protection relays: pre-launch of Alstom's MICOM P40 next generation



### R&D

- New 800 kV HVDC Wall Bushing developed and successfully tested



- 550 kV Live Tank Circuit Breaker with optical current transformer successfully tested



### SMART GRIDS

- Integration of Uisol / Psymetrix into the Alstom e-terra Network Management software suite



- Eco-cities / EMBIX: 2 demonstrators finalised + first successes (Strasbourg, Lyon, Bordeaux)
- Smartgrid demonstrators: 5 contracts finalised (2 in USA, 3 in Europe)

# Grid

## Key priorities

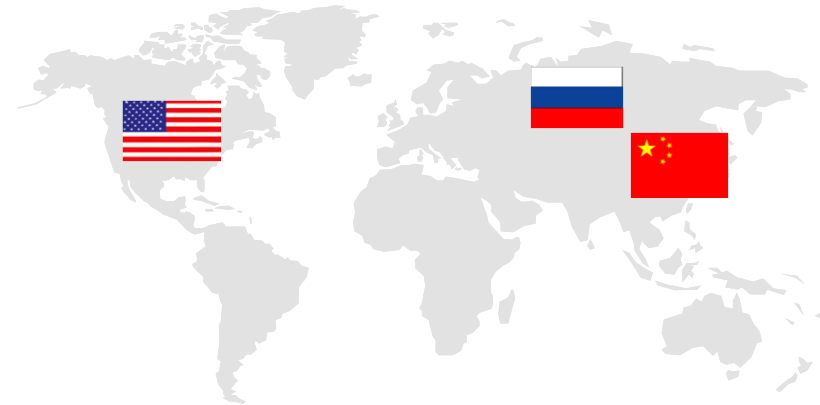
### TECHNOLOGY

*Introduce new products & redesign to cost*



### GEOGRAPHY

*Reinforce presence in China, Russia and the USA*



### EFFICIENCY

*Streamline organisation to lower cost base*



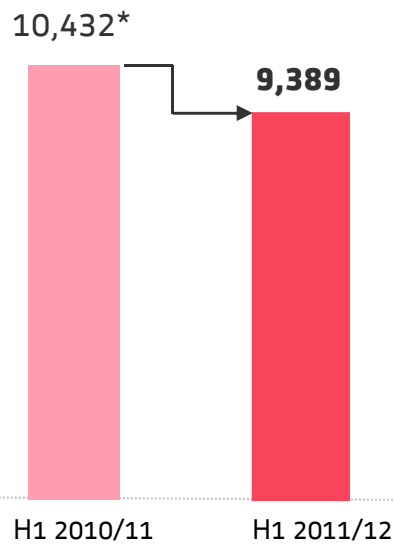
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# Sales and income from operations (IFO)

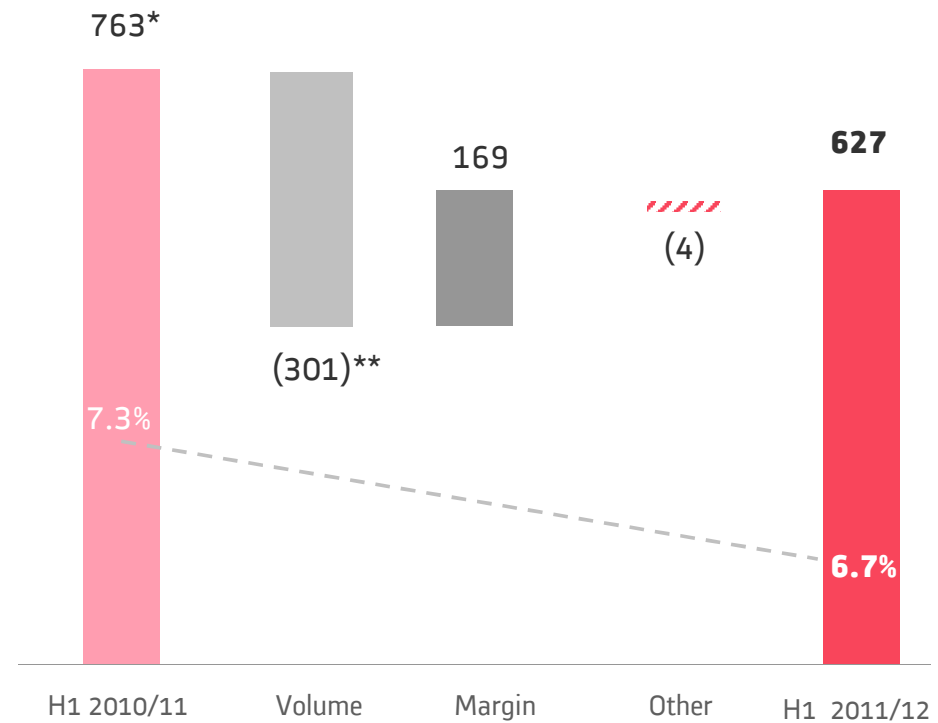
## Evolution of sales

In € million



\* Grid consolidated for 4 months (from June to September 2010)

## Income from operations and operating margin



\*\* Including under-recovery

# Income statement

In € million

	Sept 2010	Sept 2011	Variation
<b>Sales</b>	10,432	9,389	-10%
<b>Income from operations</b>	763	627	-18%
Grid PPA+acquisition costs	(98)	(68)	
Restructuring costs	(47)	(38)	
Capital gains & other	(19)	(4)	
<b>EBIT</b>	599	517	-14%
Financial result	(52)	(74)	
Tax result	(131)	(90)	
Minority interest & other	(15)	10	
<b>Net result</b>	401	363	-9%

# Free cash flow

In € million

	Sept 2010	Sept 2011
<b>Income from operations</b>	763	<b>627</b>
Restructuring cash out	(45)	<b>(74)</b>
Depreciation	169	<b>170</b>
Capital expenditure	(196)	<b>(199)</b>
R&D cap. & amort. of acq. techno.	(49)	<b>(54)</b>
Pensions	(65)	<b>(42)</b>
Change in working capital	(1,382)	<b>(839)</b>
Cash retained (litigations)	0	<b>(280)</b>
Tax cash out	(134)	<b>(159)</b>
Financial cash out	(30)	<b>(23)</b>
Other	6	<b>(41)</b>
<b>Free cash flow</b>	(963)	<b>(914)</b>

## Change in working capital

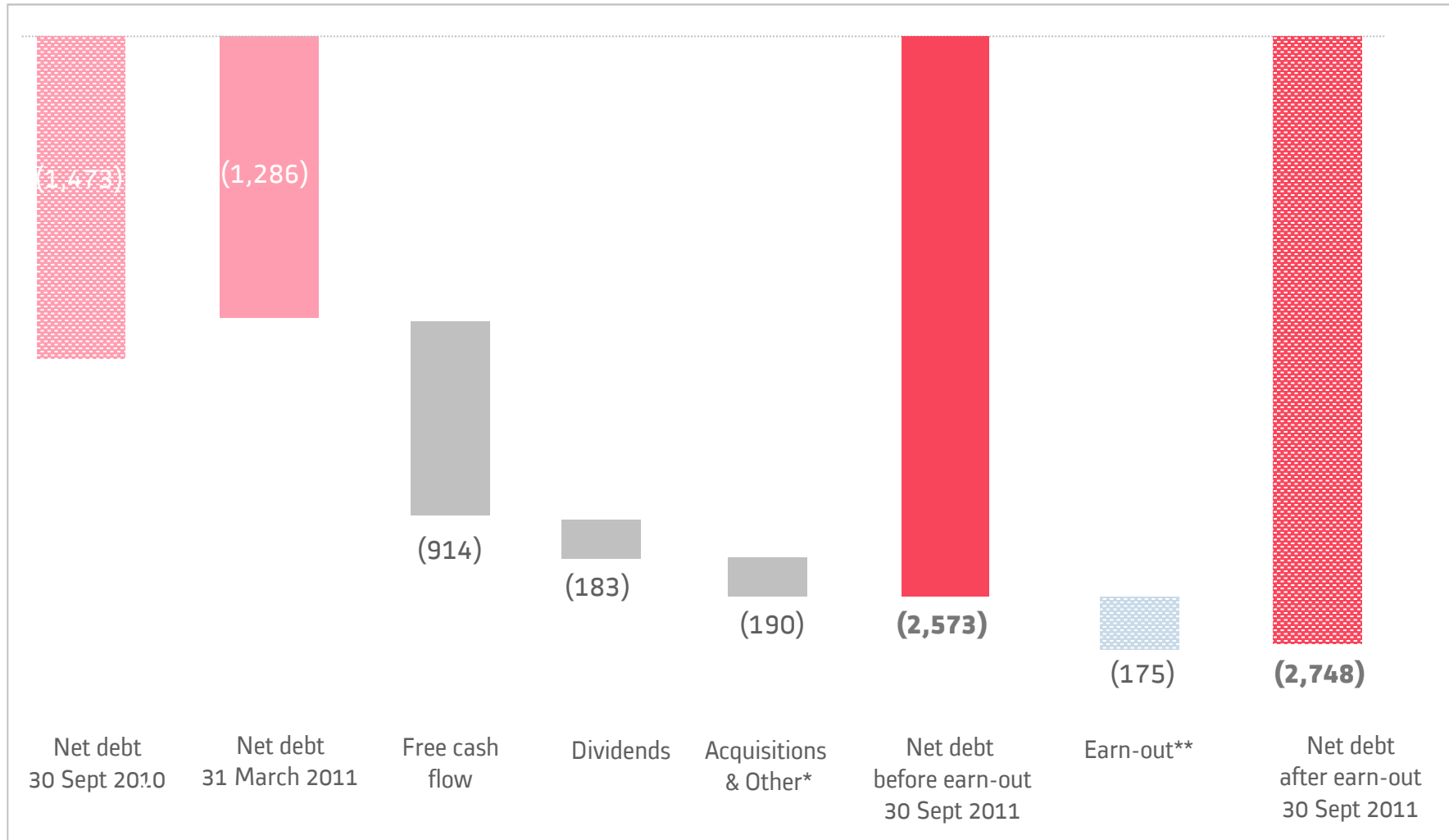
- Lower sales leading to less progress payments
- Strong negative evolution in Transport linked to temporary consumption of working capital for the start-up of activities in some countries (Russia, India)

## Litigations

- Disputes with two customers: in Thermal Power (Bulgaria) and in Transport (Hungary)

# Net debt evolution

In € million



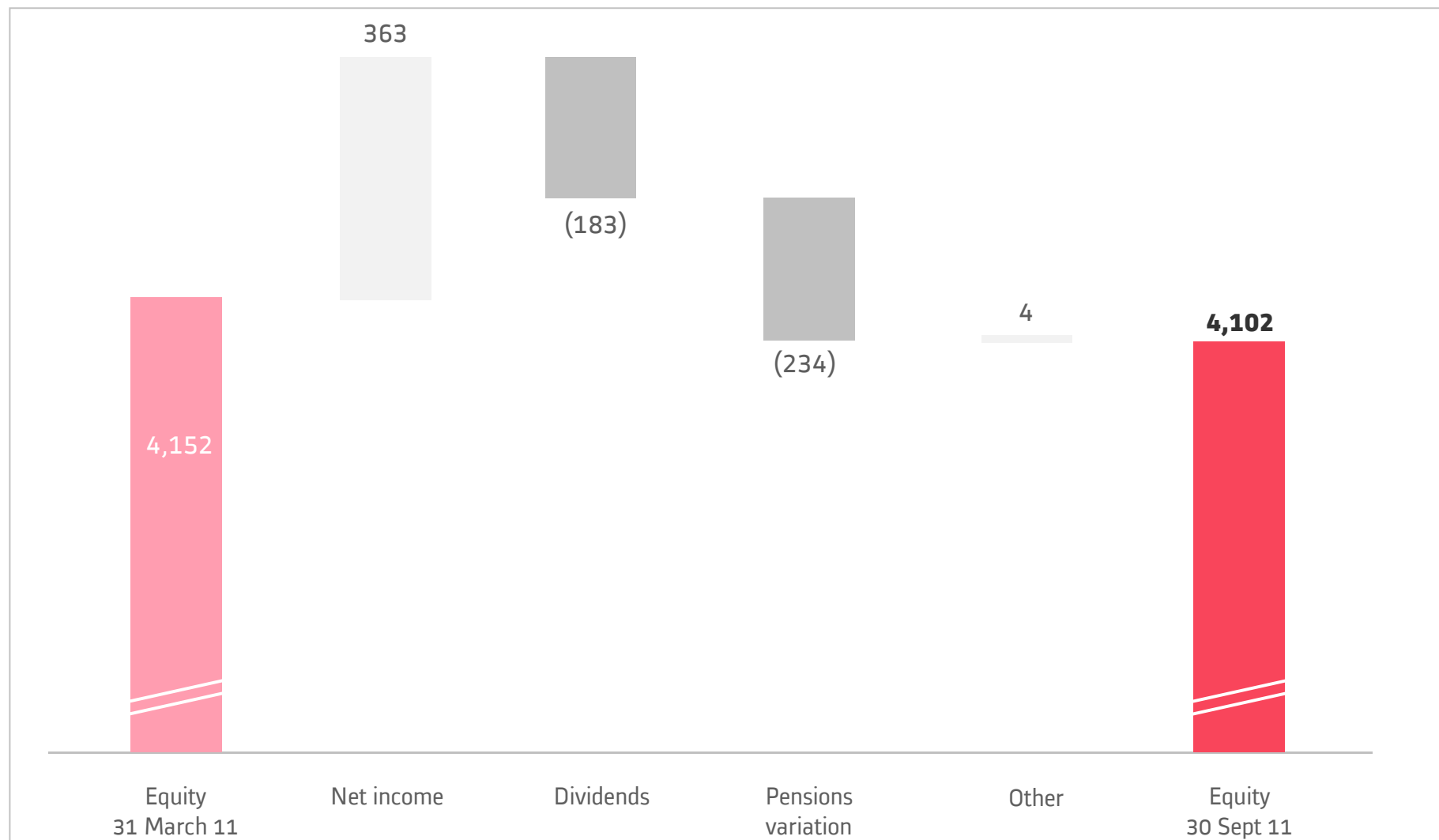
\*Including €59 million paid to TMH

\*\*To be paid to TMH in 2012



# Equity evolution

In € million



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# Outlook

## A better second half



- Orders to remain sustained
- Expected sales recovery
- Increase of operating margin driven by higher volume and effects of on-going actions on costs
- Positive free cash flow

## Full year guidance confirmed



- Operating margin for FY 2011/12 to stay between 7% and 8%

# Contacts & agenda

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- **19/01/2012** Orders and sales for the first nine months of FY 2011/12
- **15-16/03/2012** Analyst Days in Russia
- **04/05/2012** Annual Results of FY 2011/12

# Disclaimer

*This presentation contains forward-looking statements which are based on current plans and forecasts of Alstom's management. Such forward-looking statements are by their nature subject to a number of important risk and uncertainty factors (such as those described in the documents filed by Alstom with the French AMF) that could cause actual results to differ from the plans, objectives and expectations expressed in such forward-looking statements. These such forward-looking statements speak only as of the date on which they are made, and Alstom undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.*

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