Consolidated financial statements

Year ended 31 March 2018

CONSOLIDATED INCOME STATEMENT

(in € million)	Note	Year ended 31 March 2018	31 March 2017
Sales	**(3)**	**7,951**	**7,306**
Cost of sales		(6,686)	(6,171)
Research and development expenses	(4)	(188)	(175)
Selling expenses	(5)	(204)	(187)
Administrative expenses	(5)	(359)	(352)
Other income/(expense)	(6)	(133)	(63)
Earnings Before Interests and Taxes		**381**	**358**
Financial income	(7)	7	11
Financial expense	(7)	(98)	(138)
Pre-tax income		**290**	**231**
Income Tax Charge	(8)	(73)	(76)
Share in net income of equity-accounted investments	(13)	216	82
Net profit from continuing operations		**433**	**237**
Net profit from discontinued operations	(9)	52	66
NET PROFIT		**485**	**303**
Net profit attributable to equity holders of the parent		475	289
Net profit attributable to non controlling interests		10	14
Net profit from continuing operations attributable to:			
· Equity holders of the parent		423	223
· Non controlling interests		10	14
Net profit from discontinued operations attributable to:			
· Equity holders of the parent		52	66
· Non controlling interests		-	-
Earnings per share (in €)			
· Basic earnings per share	(10)	2.15	1.32
· Diluted earnings per share	(10)	2.11	1.30

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	Note	Year ended 31 March 2018	 31 March 2017
Net profit recognised in income statement		**485**	**303**
Remeasurement of post-employment benefits obligations	(29)	62	(44)
Income tax relating to items that will not be reclassified to profit or loss	(8)	(8)	4
Items that will not be reclassified to profit or loss		**54**	**(40)**
of which from equity-accounted investments	(13)	-	-
Fair value adjustments on available-for-sale assets		-	-
Fair value adjustments on cash flow hedge derivatives	(13)	5	(3)
Currency translation adjustments (*)	(23)	(233)	115
Income tax relating to items that may be reclassified to profit or loss	(8)	-	-
Items that may be reclassified to profit or loss		**(228)**	**112**
of which from equity-accounted investments	(13)	*(41)*	*58*
TOTAL COMPREHENSIVE INCOME		**311**	**375**
Attributable to:			
• Equity holders of the parent		305	359
• Non controlling interests		6	16
Total comprehensive income attributable to equity shareholders arises from :			
• Continuing operations		253	294
• Discontinued operations		52	65
Total comprehensive income attributable to non controlling interests arises from :			
• Continuing operations		6	16
• Discontinued operations		-	-

(*) includes currency translation adjustments on actuarial gains and losses for €5 million as of 31 March 2018 (€8 million as of 31 March 2017).

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

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CONSOLIDATED BALANCE SHEET

Assets

(in € million)	Note	At 31 March 2018	At 31 March 2017
Goodwill	(11)	1,422	1,513
Intangible assets	(11)	410	395
Property, plant and equipment	(12)	831	749
Investments in joint-venture and associates	(13)	533	2,755
Non consolidated investments	(14)	58	55
Other non-current assets	(15)	277	316
Deferred Tax	(8)	224	189
Total non-current assets		**3,755**	**5,972**
Inventories	(17)	1,146	916
Construction contracts in progress, assets	(18)	2,675	2,834
Trade receivables	(19)	1,589	1,693
Other current operating assets	(20)	1,328	1,365
Other current financial assets	(25)	8	8
Cash and cash equivalents	(26)	1,231	1,563
Total current assets		**7,977**	**8,379**
Assets held for sale	(13)	2,390	10
TOTAL ASSETS		**14,122**	**14,361**

Equity and Liabilities

(in € million)	Note	At 31 March 2018	At 31 March 2017
Equity attributable to the equity holders of the parent	(23)	3 966	3 661
Non controlling interests		61	52
Total equity		**4 027**	**3 713**
Non current provisions	(22)	530	614
Accrued pensions and other employee benefits	(29)	468	526
Non-current borrowings	(27)	952	1 362
Non-current obligations under finance leases	(27)	212	233
Deferred Tax	(8)	22	23
Total non-current liabilities		**2 184**	**2 758**
Current provisions	(22)	313	250
Current borrowings	(27)	525	416
Current obligations under finance leases	(27)	18	28
Construction contract in progress, Liabilities	(18)	4 147	4 486
Trade payables		1 346	1 029
Other current liabilities	(21)	1 555	1 674
Total current liabilities		**7 904**	**7 883**
Liabilities related to assets held for sale	(9)	7	7
TOTAL EQUITY AND LIABILITIES		**14 122**	**14 361**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Note	Year ended 31 March 2018	31 March 2017
Net profit		**485**	**303**
Depreciation, amortisation and impairment	(11)/(12)	161	157
Expense arising from share-based payments	(31)	18	10
Cost of net financial debt and costs of foreign exchange hedging, net of interest paid and received (a) , and other change in provisions		5	1
Post-employment and other long-term defined employee benefits	(29)	19	2
Net (gains)/losses on disposal of assets		2	(77)
Share of net income (loss) of equity-accounted investments (net of dividends received)	(13)	(197)	(75)
Deferred taxes charged to income statement	(8)	(52)	(24)
Net cash provided by operating activities - before changes in working capital		**441**	**297**
Changes in working capital resulting from operating activities (b)	**(16)**	**(33)**	**104**
Net cash provided by/(used in) operating activities		**408**	**401**
Of which operating flows provided / (used) by discontinued operations	*(9)*	*-*	*(7)*
Proceeds from disposals of tangible and intangible assets		3	1
Capital expenditure (including capitalised R&D costs)		(283)	(220)
Increase/(decrease) in other non-current assets	(15)	21	43
Acquisitions of businesses, net of cash acquired		(4)	(78)
Disposals of businesses, net of cash sold	(9)	(80)	(93)
Net cash provided by/(used in) investing activities		**(343)**	**(347)**
Of which investing flows provided / (used) by discontinued operations	*(9)*	*(82)*	*(68)*
Capital increase/(decrease) including non controlling interests		47	12
Dividends paid including payments to non controlling interests		(60)	(11)
Repayments of bonds & notes issued	(27)	(272)	(453)
Changes in current and non-current borrowings	(27)	7	33
Changes in obligations under finance leases	(27)	(27)	(45)
Changes in other current financial assets and liabilities		-	(10)
Net cash provided by/(used in) financing activities		**(305)**	**(474)**
Of which financing flows provided / (used) by discontinued operations	*(9)*	*-*	*3*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(240)**	**(420)**
Cash and cash equivalents at the beginning of the period		1,563	1,961
Net effect of exchange rate variations		(92)	17
Other changes		-	4
Transfer to assets held for sale		-	1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(26)**	**1,231**	**1,563**
(a) Net of interests paid & received		*(66)*	*(115)*
(b) Income tax paid		*(93)*	*(87)*

(in € million)	Year ended 31 March 2018	31 March 2017
Net cash/(debt) variation analysis (*)		
Changes in cash and cash equivalents	(240)	(420)
Changes in other current financial assets and liabilities	-	10
Changes in bonds and notes	272	453
Changes in current and non-current borrowings	(7)	(33)
Changes in obligations under finance leases	27	45
Transfer to assets held for sale	-	3
Net debt of acquired/disposed entities at acquisition/disposal date and other variations	(99)	(63)
Decrease/(increase) in net debt	(47)	(5)
Net cash (debt) at the begining of the period	(208)	(203)
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(255)**	**(208)**

(*) 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 15), less financial debt (see Note 27).

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Actuarial gains and losses	Cash-flow hedge	Currency translation adjustment	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
At 31 March 2016	**219,127,044**	**1,534**	**884**	**1,608**	**(290)**	**4**	**(461)**	**3,279**	**49**	**3,328**
Movements in other comprehensive income	-	-	-	-	(32)	(3)	105	70	2	72
Net income for the period	-	-	-	289	-	-	-	289	14	303
Total comprehensive income	**-**	**-**	**-**	**289**	**(32)**	**(3)**	**105**	**359**	**16**	**375**
Change in controlling interests and others	-	-	-	1	-	-	4	5	(4)	1
Dividends	-	-	-	-	-	-	-	-	(5)	(5)
Issue of ordinary shares under long term incentive plans	214,918	2	-	-	-	-	-	2	-	2
Recognition of equity settled share-based payments	369,868	2	6	8	-	-	-	16	-	16
At 31 March 2017	**219,711,830**	**1,538**	**890**	**1,906**	**(322)**	**1**	**(352)**	**3,661**	**52**	**3,713**
Movements in other comprehensive income	-	-	-	-	59	5	(234)	(170)	(4)	(174)
Net income for the period	-	-	-	475	-	-	-	475	10	485
Total comprehensive income	**-**	**-**	**-**	**475**	**59**	**5**	**(234)**	**305**	**6**	**311**
Change in controlling interests and others	-	-	-	1	-	-	(1)	-	10	10
Dividends	-	-	-	(55)	-	-	-	(55)	(7)	(62)
Issue of ordinary shares under long term incentive plans	1,020,164	7	-	(7)	-	-	-	-	-	-
Recognition of equity settled share-based payments	1,478,477	10	27	18	-	-	-	55	-	55
At 31 March 2018	**222,210,471**	**1,555**	**917**	**2,338**	**(263)**	**6**	**(587)**	**3,966**	**61**	**4,027**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 15 May 2018. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 17 July 2018.

A. MAJOR EVENTS AND CHANGES IN SCOPE OF CONSOLIDATION

NOTE 1. MAJOR EVENTS AND MAJOR CHANGES IN SCOPE OF CONSOLIDATION

1.1 Combination of Siemens and Alstom's mobility businesses

On 26 September 2017, Siemens and Alstom signed a Memorandum of Understanding to combine Siemens' mobility business including its rail traction drives business with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies.

On 23 March 2018, Siemens and Alstom signed a Business Combination Agreement (BCA). The BCA sets forth the terms and conditions agreed upon by the two companies and follows the conclusion of the required works council information and consultation process at Alstom regarding the proposed deal.

The combined entity will offer a significantly increased range of diversified product and solution offerings to meet multi-facetted, customer-specific needs, from cost-efficient mass-market platforms to high-end technologies. The global footprint enables the merged company to access growth markets in Middle East and Africa, India, and Middle and South America where Alstom is present, and China, United States and Russia where Siemens is present. Customers will significantly benefit from a well-balanced larger geographic footprint, a comprehensive portfolio offering and significant investment into digital services. The combination of know-how and innovation power of both companies will drive crucial innovations, cost efficiency and faster response, which will allow the combined entity to better address customer needs.

The transaction, supported by Bouygues, is subject to the approval of Alstom shareholders at the company's Shareholders' Meeting, planned to be held in July 2018. The transaction is also subject to approval by relevant regulatory authorities, including foreign investment clearance by the French Ministry for the Economy and Finance and approval by anti-trust authorities as well as the confirmation by the French capital market authority (AMF) that no mandatory takeover offer has to be launched by Siemens following completion of the contribution. Siemens has already initiated the internal carve-out process of its mobility business and other related businesses in order to prepare for the combination with Alstom.

As per the Business Combination Agreement signed on March 23, 2018 with Siemens, Alstom took the formal commitment to exercise its put options on Grid and Renewable Alliances in September 2018. In anticipation, Alstom informed GE in January 2018 of its intention to exercise them in September 2018. As a consequence, Grid and Renewable Alliances have been reclassified in Assets held for sale for a total amount of €2,382 million. Alstom has also informed GE of its intention to exercise the put option with respect to the Nuclear joint venture in the first quarter of 2021.

The costs already incurred by the Group in relation with the transaction with Siemens during fiscal year 2017/2018 have been accounted for in these consolidated financial statements.

1.2 Scope of consolidation

Madhepura Electric Locomotive Private Limited

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

B. ACCOUNTING POLICIES AND USE OF ESTIMATES

NOTE 2. ACCOUNTING POLICIES

2.1 Basis of preparation of the consolidated financial statements

Alstom consolidated financial statements, for the year ended 31 March 2018, are presented in millions of Euros and 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 at 31 March 2018;
- using the same accounting policies and measurement methods as at 31 March 2017, with the exceptions of changes required by the enforcement of new standards and interpretations presented here after.

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

http://www.efrag.org/Endorsement

2.1.1 IFRS15 Revenue from contracts with customers

The standard will be applicable for annual periods beginning after 1 January 2018.

Context

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

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Transition method elected

Alstom has elected to apply the full retrospective method. Accordingly, opening equity at 1 April 2017 will be restated, and the 2018/2019 consolidated financial statements will include restated comparative data for fiscal year 2017/2018 to reflect the impact of applying IFRS15.

Estimated impacts on equity restatement

Based on analyses performed so far, Alstom achieved several qualitative and quantitative conclusions:

- The identification of performance obligations does not lead to significant changes versus current practice.
- Most of construction contracts as well as long term service agreements fulfill the requirements for revenue recognition over time and will remain accounted for under the percentage of completion method. Nevertheless, the percentage of completion method used by Alstom will change. Currently, the stage of completion on construction contracts and long-term service agreements is assessed upon the milestones method which ascertains the stage of completion of a physical proportion of the contract work or the performance of services provided in the agreement. Under IFRS15, the percentage of completion method retained will be the cost to cost method: revenue will be recognized for each performance obligation based on the percentage of costs incurred to date divided by the total costs expected at completion. For each contract, depending on the stage of completion and the milestones reached compared to the costs incurred to date, this change in method will impact the phasing in the recognition of revenue and margin from one period to another. The analysis performed on the current portfolio of contracts should reduce equity at the opening date of 1 April 2017 from approximately €190 million.
- Moreover, the new standard puts additional constraint on the transaction price estimates and especially on variable consideration and contract modifications. The estimation of the transaction price should include variable amounts and/or contract modifications to the extent that it is highly probable that no significant reversal in the amount of cumulative revenues recognized will occur when the uncertainty associated with these elements is subsequently resolved. The introduction of this constraint on the price escalation estimate on the one hand, as well as the incorporation of amendments under negotiation on the other hand, will lead to recognize these effects on contract value at a later point in time, when they become enforceable. This will thus have the effect of deferring revenue and margin and contribute to reduce equity at restatement date by approximatively €80 million for price escalation estimate and €180 million for contract amendments.
- No significant financial component on orders has been identified except for one contract, since timing of cash receipts and revenue recognition under cost to cost method do not differ substantially. This leads to no effect on equity at restatement date.

Based on analysis performed so far, the impact of applying IFRS15 is expected to result in an aggregate reduction of equity of approximatively €450 million at transition at 1 April 2017; these amounts are not representative of the standard's impact on the financial statements of future periods.
It must be underlined that these estimates may evolve as the impact assessment is being finalized.
As a conclusion, while these changes may have an impact on the timing of revenues and margins and result in a reduction of equity at the date of restatement, the new standard does not affect the cash position of the contracts and has no impact on the economy of the contracts at completion.

Estimated impacts on Balance sheet presentation

Besides, changes to the balance sheet presentation are also expected due to IFRS15 implementation.

The Balance sheet at 1 April 17 restated appears as follows:

(in € billion)	At 31 March 2017	Restat.	At 31 March 2017 IFRS 15
Goodwill	1.5	-	1.5
Intangible assets	0.4	-	0.4
Property, plant and equipment	0.7	-	0.7
Investments in joint-venture and associates	2.8	-	2.8
Non consolidated investments	0.1	-	0.1
Other non-current assets	0.3	-	0.3
Deferred Tax	0.2	0.1	0.3
Total non-current assets	**6.0**	**0.1**	**6.1**
Inventories	0.9	0.4	1.3
Construction contracts in progress, assets	2.8	(2.8)	-
Cost to fulfill a contract	-	-	-
Contract assets	-	1.1	1.1
Trade receivables	1.7	0.2	1.9
Other current operating assets	1.4	-	1.4
Other current financial assets	-	-	-
Cash and cash equivalents	1.6	-	1.6
Total current assets	**8.4**	**(1.1)**	**7.3**
Assets held for sale	-	-	-
TOTAL ASSETS	**14.4**	**(1.0)**	**13.4**

(in € billion)	At 31 March 2017	Restat.	At 31 March 2017 IFRS 15
Equity attributable to the equity holders of the parent	3.7	(0.5)	3.2
Non controlling interests	-	-	-
Total equity	**3.7**	**(0.5)**	**3.2**
Non current provisions	0.6	-	0.6
Accrued pensions and other employee benefits	0.5	-	0.5
Non-current borrowings	1.4	-	1.4
Non-current obligations under finance leases	0.3	-	0.3
Deferred Tax	-	-	-
Total non-current liabilities	**2.8**	**-**	**2.8**
Current provisions	0.2	0.6	0.8
Current borrowings	0.4	-	0.4
Current obligations under finance leases	-	-	-
Construction contract in progress, Liabilities	4.5	(4.5)	-
Contract liabilities	-	3.1	3.1
Trade payables	1.1	-	1.1
Other current liabilities	1.7	0.3	2.0
Total current liabilities	**7.9**	**(0.5)**	**7.4**
Liabilities related to assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	**14.4**	**(1.0)**	**13.4**

Main adjustments can be rationalized in the following way:

- With respect to the constructions contracts and long term service agreement, the captions "Construction contracts in progress, assets" and "Construction contracts in progress, liabilities" disappear. The advance payments received from customers were presented exclusively in the aggregate "construction contracts in progress, liabilities".
- New aggregates called "contract assets" and "contract liabilities" will be disclosed for constructions contracts and long term service agreement in progress and will be determined on a contract-by contract basis. The aggregate "contract assets" correspond to the unbilled part of revenues recognized to date net of the advance payments received from customers. Unbilled part of revenue corresponds to revenue recognized to date in excess of progress billings. On the contrary, when progress billings are in excess of revenue recognized to date, the net amount will be accounted for as deferred income and aggregated with the related advance payments received from customers under the caption "contract liabilities".
- In accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets, the present obligations under contracts remain measured using the same valuation principles. They will be presented as current provisions and no longer in construction contracts in progress (as per former IAS11 application).
- For costs incurred in fulfilling a contract with a customer that are within the scope of other standards, namely IAS 2 Inventories, IAS 16 Property, Plant and Equipment, IAS 38 Intangible assets, these costs should be accounted for in accordance with those other standards that apply primarily. For other costs incurred in fulfilling a contract that are not within the scope of the standards stated above, those costs should be accounted for under a new caption called "costs to fulfil a contract" when eligible for capitalization. Therefore, related amounts in construction contracts in progress have been reclassified accordingly.

Other topics

- Under IFRS15, quantitative and qualitative disclosures are requested on transaction price allocated to the remaining performance obligations, which corresponds to Alstom's definition of order backlog as reported in Management Report.
- Order backlog represents sales not yet recognized from orders already received. Order backlog at the end of a financial year is computed as follows:
    - Order backlog at the beginning of the year;
    - Plus new orders received during the year;

- Less sales recognized during the year
- Plus/Less adjustments on transaction price (including cancellations of orders, changes in scope of consolidation, contract price adjustments, foreign currency translation effects…)

- The change in percentage of completion method from milestones to cost to cost, as well as the deferral of revenue at a later point in time for price escalation estimates and contract amendments, should result in a new valuation of the order backlog to approximatively €36.9 billion at 1 April 2017.

2.1.2 IFRS9 Financial instruments

IFRS9 Financial instruments includes revised guidance on the classification and measurement of the financial instruments, as well as impairment on financial assets and also introduces new general hedge accounting requirements.

This new standard becomes effective for Alstom for fiscal year starting 1 April 2018. The review and analysis of this standard is still in progress, but the Group does not at this stage anticipate any material impact on its consolidated financial statements.

Nevertheless, two options have been already elected:

- In the course of its operations, the group is exposed to currency risk arising from awarded contracts in foreign currency: future cash in but also future cash out transactions. Thus, the Group puts in place a significant volume of hedges at inception of the contract to cover these exposures applying fair value hedge accounting. When Alstom designates only foreign exchange spot changes as hedged item, the cost of hedging approach will be retained, allowing the Group to recognize the change in fair value of forward points in Other Comprehensive Income (rather than in income statement under IAS39)
- For the portfolio of non-consolidated investments (previously designated as available for sale financial assets), Alstom has elected to record the change in fair value on these investments through Other Comprehensive Income with no subsequent recycling in income statement

Finally, the new standard modifies the recognition of the credit risk related to financial assets and especially trade receivables, moving from the incurred loss approach to an expected loss approach. Nevertheless, from the Group perspective, the application of IFRS9 impairment's requirements will result in no material impact over the impairment already accounted for under IAS39. Indeed, impairment losses will continue to be determined considering the risk of non-recovery on a case-by-case basis. Due to the type of business operated by the Group as well as the customers profile (see Note 28.4 on Credit risk management), past due receivables are mostly representative of outstanding amounts confirmed by customers but whose payments is subject of clearance of items raised during inspection of the works. Such receivables do remain fully recoverable.

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

Several amendments are applicable at 1 April 2017:

- Amendments to IAS 7: Disclosure initiative;
- Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses;
- Annual Improvements to IFRS 2014-2016 Cycle.

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

2.1.4 New standards and interpretations not yet mandatorily applicable

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

- IFRS16 Leases. The standard will be applicable for annual periods beginning after 1 January 2019;
- Amendments to IFRS2 Classification and measurement of share-based payment transactions. The amendments will be applicable for annual periods beginning after 1 January 2018.

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

- IFRIC22 Foreign currency transactions and advance consideration. The interpretation will be applicable for annual periods beginning after 1 January 2018;
- IFRIC23 Uncertainty over income tax treatments. The interpretation will be applicable for annual periods beginning after 1 January 2019;
- Amendments to IAS28: Long-term interests in associates and joint ventures. The amendments will be applicable for annual periods beginning after 1 January 2019;
- Annual improvement to IFRS Standards 2015-2017 cycle will be applicable for annual periods beginning after 1 January 2019;
- Amendments to IAS19: Plan Amendment, curtailment or settlement. The amendments will be applicable for annual periods beginning after 1 January 2019;
- Amendments to References to the Conceptual Framework in IFRS Standards. The amendments will be applicable for annual periods beginning after 1 January 2020.

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

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-

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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 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 group of cash generating unit 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

Subsidiaries are entities over which the Group exercises control.

The Group controls an entity when (i) it has power over this entity, (ii) is exposed to or has rights to variable returns from its involvement with that entity, and (iii) has the ability to use its power over that entity to affect the amount of those returns.

Subsidiaries are fully consolidated in the consolidated financial statements from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Inter-company balances and transactions are eliminated.

Non-controlling interests in the net assets of consolidated subsidiaries are identified in a specific line of the equity named "Non-controlling interests". 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.

Transactions with non-controlling interests that do not result in loss of control are considered as transactions between shareholders and accounted for in equity.

Joint arrangements

Joint arrangements are the entities over which the Group has joint control.

The Group jointly controls an entity when decisions relating to the relevant activities of that entity require unanimous consent of the Group and the other parties who share control.

A joint arrangement is classified either as a joint operation or as a joint venture. The classification is based on the rights and obligations of the parties to the arrangement, taking into consideration the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances (see also Note 13):

- **Joint operations**

Joint operations are entities in which the Group has rights to the assets and obligations for the liabilities.

The Group recognises the assets, liabilities, revenues and expenses related to its interests in the joint operation. A joint operation may be conducted under a separate vehicle or not.

- **Joint ventures**

Joint ventures are entities in which the Group only has rights to the net assets.

Interests in joint ventures are consolidated under the equity method as described in the paragraph below.

Investments in associates

Associates are entities over which the Group has significant influence. In other words, the Group has the possibility to participate in decisions related to these entities' financial and operating policies without having control (exclusive or joint).

Generally, the existence of significant influence is consistent with a level of voting right held by the Group between 20% and 50%.

If need be, accounting policies of associates will be standardized with the Group accounting policies.

Interests in associates are consolidated under the equity method in the consolidated financial statements as described in the paragraph below.

Equity method

The Group accounts for its interests in associates and joint ventures under the equity method. Wherever necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with the IFRS framework.

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.

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 or joint venture recognized at the date of acquisition is recognized 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 an associate or joint venture purchased by stage, the Group uses the cost method to account for changes from available for sale (AFS) category to "Investments in joint ventures and associates".

Associates and joint ventures are presented in the specific line "Investments in joint ventures and associates" of the balance sheet, and the Group's share of its associates' profits or losses is recognized in the line "Share of net income of equity-accounted investments" of the income statement whereas its share of post-acquisition movements in reserves is recognized in reserves.

Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture are not recognized, except if the Group has a legal or implicit obligation.

The impairment expense of investments in associates and joint ventures is recorded in the line "Share of net income of equity-accounted investments" of the income statement.

According to IAS 28, if the financial statements of an associate used in applying the equity method are prepared as of a different date from that of the investor, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements. In any case, the difference between the end of the reporting period of the associate and that of the investor shall be no more than three months.

According to IAS 39, liquidity rights related to Energy alliances are booked at fair market value without external model based on observable factors, taking into account internal assumptions. These put options are considered and accounted for by the Group as share derivatives under cash flow hedge. This liquidity rights are accounted for as part as the joint venture caption on the line "investments in joint-ventures and associates".

2.3.2 Assets held for sale

Non-current assets held for sale are presented on a separate line of the balance sheet when (i) the Group has made a decision to sell the asset(s) concerned and (ii) the sale is considered to be highly probable. These assets are measured at the lower of net carrying amount and fair value less costs to sell.

When the Group is committed to a sale process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale, irrespective of whether the Group retains a residual interest in the entity after sale.

2.3.3 Cash flow hedge

When cash flow hedge applies, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income.

If a hedge of a forecast transaction subsequently resulting in the recognition of a non-financial asset qualifies for cash flow hedge, then the entity shall reclassify the associated gains and losses that were recognized in other comprehensive income to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

2.3.4 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.

2.3.5 Business combinations

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

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

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;
- either 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 twelve-month measurement period following the acquisition are systematically recognised through profit or loss.

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.

2.3.6 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. 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 to 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 according to IAS 11 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.

2.3.7 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 (CGU) 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 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.

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.

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.

C. SEGMENT INFORMATION

NOTE 3. SEGMENT INFORMATION

The Group organization, customer focused and also influenced by an increasing number of integrated services, leading to complete and turnkey solutions, leads to present financial information issued through various axes of analysis (regions, sites, contracts, functions and products). None of these axes allow for a comprehensive operating profit and loss measure nor segment assets and liabilities.

The segment information issued to the Alstom Executive Committee, identified as the Group's Chief Operating Decisions Maker (CODM) presents Key Performance Indicators at Group level. Strategic decisions and resource allocation are driven based on this reporting. The segment information has been adapted according to a similar method as those used to prepare the consolidated financial statements.

3.1 Sales by product

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Rolling stock	3,464	3,170
Services	1,480	1,468
Systems	1,691	1,286
Signalling	1,316	1,382
TOTAL GROUP	**7,951**	**7,306**

3.2 Key indicators by geographic area

Sales by country of destination

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Europe	3,938	4,104
of which France	*1,074*	*1,372*
Americas	1,531	1,247
Asia & Pacific	974	702
Middle-East & Africa	1,508	1,253
TOTAL GROUP	**7,951**	**7,306**

Non-current assets by country of origin

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 (See Section E).

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Europe	1,330	1,275
of which France	*596*	*548*
Americas	114	170
Asia / Pacific	219	180
Middle East / Africa	120	60
Total excluding alliances and goodwill	**1,783**	**1,685**
Alliances and goodwill (*)	**1,535**	**3,838**
TOTAL GROUP	**3,318**	**5,523**

(*) Reclassification of Alliances Grid and Renewable to Assets held for sale (see Note 13)

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3.3 Information about major customers

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

D. OTHER INCOME STATEMENT

NOTE 4. RESEARCH AND DEVELOPMENT EXPENDITURE

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 11). Research and Development costs cover also product sustainability costs booked when incurred.

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Research and development gross cost	(278)	(248)
Funding received	58	51
Research and development spending, net	**(220)**	**(197)**
Development costs capitalised during the period	81	70
Amortisation expense of capitalised development costs	(49)	(48)
RESEARCH AND DEVELOPMENT EXPENSES (IN P&L)	**(188)**	**(175)**

Alstom continued to invest further in the development of the Avelia™ range and notably, the very high-speed train of the future as well as the latest generation of Coradia Stream™ regional trains. Alstom further developed its zero-emission train Coradia i-Lint™ and the Citadis™ X05 light rail vehicle.

Investments in Alstom electric bus solution lead to the real-time testing of Aptis™, the 100% electric bus, in various locations across France and Germany.

The Group continued the development of the Urbalis™ Fluence signalling solution as well as the APS™ ground-level electrification solution used by tramways for application on the road in partnership with Volvo Group and the PINTA Shift2Rail, the next generation traction system.

NOTE 5. SELLING AND ADMINISTRATIVE EXPENSES

Selling Costs are expenses incurred in the marketing and selling of a product or a service. Selling Costs typically include expenditure in the following departments: Market & Strategy, Sales & Business Development and Communication as well as the direct labour costs of operational population such as engineering working on the tendering phase.

Administrative Costs are structure and operational support costs. Administrative Costs include mostly expenditure of Headquarter and sites with a transverse role, in particular Finance, Human Resources, Legal and Information Systems departments.

Selling and administrative expenses are recognized in charges as incurred.

Effective control of the cost structure has contributed to constraint selling and administrative expenses in an increasing environment.

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NOTE 6. OTHER INCOME AND OTHER EXPENSES

Other income and expenses 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 or facing restructuring plans, any income associated to past disposals as well as a portion of post-employment and other long-term defined employee benefits (plan amendments, impact of curtailments and settlements and actuarial gains on long-term benefits other than post-employment benefits).

Other expenses include capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets relating to activities facing restructuring plans as well as any costs associated to past disposals, restructuring costs, rationalisation costs, significant impairment losses on assets, costs incurred to realize business combinations and amortisation expense of assets exclusively acquired in the context of business combinations (technology, customer relationship, margin in backlog, margin on inventory), litigation costs that have arisen outside the ordinary course of business and a portion of post-employment and other long-term defined benefit expense.

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Capital gains / (losses) on disposal of business	3	2
Restructuring and rationalisation costs	(47)	(6)
Impairment loss and other	(89)	(59)
Other income / (expense)	**(133)**	**(63)**

As at 31 March 2018, restructuring and rationalization costs are mainly related to the adaptation of the means of production in certain countries, notably in UK, Brazil, and the US.

At 31 March 2018, impairment loss and other represent mainly:

- €(25) million of amortisation of intangible assets and integration costs related to business combinations, such as SSL, GE Signalling and Nomad;
- €(18) million related to legal proceedings that have arisen outside of the ordinary course of business;
- €(39) million of transaction costs related to Siemens combination (see Note 1).

NOTE 7. FINANCIAL INCOME (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, other borrowings and lease-financing liabilities);
- Other expenses paid to financial institutions for financing operations;
- Cost of commercial and financial foreign exchange hedging (forward points);
- The financial component of the employee defined benefits expense (net interest income (expenses) and administration costs).

(in € million)	Year ended 31 March 2018	31 March 2017
Interest income	7	10
Interest expense on borrowings	(64)	(87)
NET FINANCIAL INCOME/(EXPENSES) ON DEBT	**(57)**	**(77)**
Net cost of foreign exchange hedging	(15)	(29)
Net financial expense from employee defined benefit plans	(13)	(12)
Other financial income/(expense)	(6)	(9)
NET FINANCIAL INCOME/(EXPENSES)	**(91)**	**(127)**

Net financial income/(expenses) on debt represent the cost of borrowings net of income from cash and cash equivalents. As at 31 March 2018, interest income totals €7 million, representing the remuneration of the Group's cash positions over the period, while interest expenses total €(64) million which correspond to cost of the external gross financial debt of the Group.

The net cost of foreign exchange hedging of €(15) million includes primarily the cost of carry (unrealized and realized forward points) of foreign exchange hedging implemented to hedge the exposures in foreign currency arising from commercial contracts

The net financial expense from employee defined benefit plans of €(13) million represents the interest costs on obligations net of interest income from fund assets calculated using the same discount rate.

Other net financial income/expenses of €(6) million include mainly bank fees and commitment fees paid on bonds and guarantees facilities, syndicated loans and revolving facilities.

NOTE 8. 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 and 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 arrangements 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. Nevertheless, the exception is no more applicable to investments/subsidiaries being disposed since it becomes probable that the temporary difference will reverse in the foreseeable future with the sale of the subsidiaries. Therefore, in this specific case, deferred tax liabilities are 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.

8.1 Analysis of income tax charge

The following table summarises the components of income tax charge:

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Current income tax charge	(125)	(100)
Deferred income tax charge	52	24
INCOME TAX CHARGE	**(73)**	**(76)**

The following table provides reconciliation from the income tax charge valued at the French statutory rate to the actual income tax charge, free of the temporary additional contributions:

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Pre-tax income	**290**	**231**
Statutory income tax rate of the parent company	34.43%	34.43%
Expected tax charge	**(100)**	**(80)**
Impact of:		
- Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	27	32
- Changes in unrecognised deferred tax assets	55	(6)
- Changes in tax rates	(6)	(2)
- Additional tax expenses (withholding tax, CVAE in France and IRAP in Italy)	(41)	(23)
- Permanent differences and other	(8)	3
INCOME TAX CHARGE	**(73)**	**(76)**
Effective tax rate	**25%**	**33%**

The Group has taken into account for the financial year 2017/2018 the change in the current tax rate in France, which should occur as of 1st April 2019 for Alstom, and also in the US current tax rate from 1st January 2018. The impact of current tax rates changes on the Group net profit is €(6) million, of which €(5) million related to the US.

8.2 Deferred tax assets and liabilities

	Year ended	
(in € million)	**2018**	**2017**
Deferred tax assets	224	189
Deferred tax liabilities	(22)	(23)
DEFERRED TAX ASSETS, NET	**202**	**166**

The following table summarises the significant components of the Group's net deferred tax assets:

(in € million)	At 31 March 2017	Change in P&L	Change in equity (*)	Translation adjustments and other changes	At 31 March 2018
Differences between carrying amount and tax basis of tangible and intangible assets	(46)	47	-	(3)	(2)
Accruals for employee benefit costs not yet deductible	44	(17)	(8)	(3)	16
Provisions and other accruals not yet deductible	91	6	-	(2)	95
Differences in recognition of margin on construction contracts	(52)	(8)	-	17	(43)
Tax loss carry forwards	132	28	-	(15)	145
Other	(3)	(4)	-	(2)	(9)
NET DEFERRED TAXES ASSET/(LIABILITY)	**166**	**52**	**(8)**	**(8)**	**202**

(*) Mainly related to actuarial gains and losses directly recognised in equity

(in € million)	31 March 2016	Change in P&L	Change in equity (*)	Translation adjustments and other changes	At 31 March 2017
Differences between carrying amount and tax basis of tangible and intangible assets	15	(12)	-	(49)	(46)
Accruals for employee benefit costs not yet deductible	32	7	4	1	44
Provisions and other accruals not yet deductible	73	23	-	(5)	91
Differences in recognition of margin on construction contracts	(24)	(25)	-	(3)	(52)
Tax loss carry forwards	87	40	-	5	132
Other	7	(9)	-	(1)	(3)
NET DEFERRED TAXES ASSET/(LIABILITY)	**190**	**24**	**4**	**(52)**	**166**

(*) Mainly related to actuarial gains and losses directly recognised in equity

The assessment of the ability to recover net deferred tax assets is based on an extrapolation of the latest three-year business plan and a strategy of five years maximum recovery of tax losses in each country, and leads to the recognition of an higher level of deferred tax, up to €202 million at 31 March 2018 thanks to strong perspectives.

Unrecognised deferred tax assets amounts to €1,126 million at 31 March 2018 (€1,312 million at 31 March 2017). Most of these unrecognised deferred taxes are originated from tax losses carried forward (€647 million at 31 March 2018 and €809 million at 31 March 2017), out of which €511 million are not subject to expiry at 31 March 2018 (€632 million at 31 March 2017).

NOTE 9. FINANCIAL STATEMENTS OF DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The results and cash flows of discontinued operations are presented on a separate line in the consolidated income statement and statement of cash flows for each period. The Group decides whether a discontinued operation represents a major line of business or geographical area of operations based on both qualitative criteria (technology, market, products, geographic region) and quantitative criteria (revenue, earnings, cash flows, assets). If the assets held by a discontinued operation are classified as held for sale they are measured at the lower of their carrying amount and fair value less costs to sell.

In compliance with IFRS 5, the Group applies the following specific measurements which impact the consolidated financial statements:

- Discontinued operations (including non-current assets, current assets and the related liabilities classified as held for sale), as a whole, are measured at the lower of their carrying amount and fair value less costs to sell;
- Consequently, goodwill, tangible and intangible assets are no longer reviewed for impairment;
- The exception of IAS 12 consisting in not recognising mechanical deferred taxes resulting from the difference between tax and consolidated values of the investments/subsidiaries being disposed is no more applicable since it becomes probable that the temporary difference will reverse in the foreseeable future with the sale of the subsidiaries. Thus, deferred tax liabilities are recognised with an income statement impact presented within the "Net profit from discontinued operations";
- Amortisation on non-current assets classified as "assets held for sale" ceases at the date of IFRS 5 application;
- Costs specifically incurred in the context of the deal are presented in the P&L within the "Net profit from discontinued operations";
- All intercompany balance-sheet and income statement positions are eliminated.

9.1 Net profit of discontinued operations

The line "Net profit from discontinued operations", recognized in the Consolidated Income Statement, includes the operations of staggered and delayed transferred assets upon effective transfer, the costs directly related to the disposal transaction of Energy activities and the estimation of future liabilities, in compliance with IFRS 5. Over the fiscal year ended 31 March 2018, Alstom recognized a profit for €52 million, mainly due to a remeasurement of certain tax risks.

9.2 Aggregated statement of cash-flow

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

9.3 Contingent liabilities

In the context of the General Electric transaction, the release of some conditional and unconditional parent company guarantees, formerly issued mainly by Alstom Holdings SA to cover obligations of the former Energy affiliates, amounts to €7.2 billion, as at 31 March 2018.

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

NOTE 10. 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 redeemable into 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).

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10.1 Earnings

(in € million)	Year ended 31 March 2018	Year ended 31 March 2017
Net Profit attributable to equity holders of the parent :		
· From continuing operations	423	223
· From discontinued operations	52	66
EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**475**	**289**

10.2 Number of shares

number of shares	Year ended 31 March 2018	Year ended 31 March 2017
Weighted average number of ordinary shares used to calculate basic earnings per share	**221,097,018**	**219,322,035**
Effect of dilutive instruments other than bonds reimbursable with shares:		
· Stock options and performance shares (LTI plan)	3,936,232	3,818,476
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE DILUTED EARNINGS PER SHARES	**225,033,250**	**223,140,511**

10.3 Earnings per share

(in €)	Year ended 31 March 2018	Year ended 31 March 2017
Basic earnings per share	2.15	1.32
Diluted earnings per share	2.11	1.30
Basic earnings per share from continuing operations	1.91	1.02
Diluted earnings per share from continuing operations	1.88	1.00
Basic earnings per share from discontinued operations	0.24	0.30
Diluted earnings per share from discontinued operations	0.23	0.30

E. NON-CURRENT ASSETS

NOTE 11. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite useful lives 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.

In the Group, goodwill cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the entity at which the goodwill is monitored for internal management purposes comprises a number of cash-generating units to which the goodwill relates, but to which it cannot be allocated.

Due to the organization and the increasing number of integrated services leading to complete and global turnkey solutions, financial information issued is presented through various axes of analysis (regions, sites, contracts, functions, products). Free Cash Flow, basis of the impairment tests of goodwill is only relevant at Group level. Therefore, goodwill acquired in case of business combinations is only monitored and ultimately tested at group level.

11.1 Goodwill

(in € million)	At 31 March 2017	Acquisitions and adjustments on preliminary goodwill	Disposals	Translation adjustments and other changes	At 31 March 2018
GOODWILL	**1,513**	**(6)**	**-**	**(85)**	**1,422**
Of which:					
Gross value	1,513	(6)	-	(85)	1,422
Impairment	-	-	-	-	-

Movements between 31 March 2017 and 31 March 2018 arose from the adjustment in the Nomad purchase price allocation for an amount of €(6) million, of which €(9) million allocated to intangible assets. As at 31 March 2018, the goodwill is final.

Goodwill impairment test

As of 31 March 2018, Alstom tested the value of goodwill applying valuation methods consistent with previous years. Alstom ensured that the recoverable amount exceeded its carrying value (including goodwill).

Presentation of key assumptions used for the determination of recoverable amounts

The value in use 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 Group.

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 Adjusted EBIT margin (corresponding to the ratio aEBIT over Sales).

The indicator "aEBIT" corresponds to EBIT adjusted with the following elements:

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

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

Net carrying amount of goodwill at 31 March 2018 (in € million)	1,422
Value elected as representative of the recoverable value	value in use
Number of years over which cash flow estimates are available	3 years
Extrapolation period of cash flow estimates	2 years
Long-term growth rate at 31 March 2018	**1.5%**
Long-term growth rate at 31 March 2017	1.5%
After tax discount rate at 31 March 2018 (*)	**8.5%**
After tax discount rate at 31 March 2017 (*)	8.5%

(*) The application of pre-tax discount rates to pre-tax cash flows leads to the same valuation of Cash Generating Units.

Discount rate is based on weighted average cost of capital (WACC) which is calculated for the Group based on a risk-free rate and a market risk premium. The current market assessment of the risks specific to Group activity is reflected by taking into account specific peer group information on industry beta, leverage and cost of debt. The parameters for calculating the discount rate are based on external sources of information.

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Sensitivity of the values in use to key assumptions can be presented as follows:

(in € million)		
aEBIT Margin	*-25 bp*	*+25 bp*
	(207)	207
After tax discount rate	*-25 bp*	*+25 bp*
	257	(239)
Long-term growth rate	*-10 bp*	*+10 bp*
	(78)	80

As of 31 March 2018, the recoverable amount exceeded its carrying value and the sensitivity of the values in use to key assumptions support the Group's opinion that goodwill is not impaired.

11.2 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 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 (technology, backlog product and project, customer relationship) is recognised as other expenses.

Internally generated intangible assets

Development costs are capitalised if and only if the project they relate to meet 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.

(in € million)	**At 31 March 2017**	**Additions / disposals / amortisation / impairment**	**Other changes including CTA & scope**	**At 31 March 2018**
Development costs	1,171	81	(63)	1,189
Other intangible assets	377	10	(3)	384
Gross value	**1,548**	**91**	**(66)**	**1,573**
Development costs	(941)	(49)	60	(930)
Other intangible assets	(212)	(23)	2	(233)
Amortisation and impairment	**(1,153)**	**(72)**	**62**	**(1,163)**
Development costs	230	32	(3)	259
Other intangible assets	165	(13)	(1)	151
NET VALUE	**395**	**19**	**(4)**	**410**

(in € million)	At 31 March 2016	Additions / disposals / amortisation / impairment	Other changes including CTA & scope	At 31 March 2017
Development costs	1,115	70	(14)	1,171
Other intangible assets	325	3	49	377
Gross value	**1,440**	**73**	**35**	**1,548**
Development costs	(905)	(48)	12	(941)
Other intangible assets	(148)	(36)	(28)	(212)
Amortisation and impairment	**(1,053)**	**(84)**	**(16)**	**(1,153)**
Development costs	210	22	(2)	230
Other intangible assets	177	(33)	21	165
NET VALUE	**387**	**(11)**	**19**	**395**

NOTE 12. 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.

(in € million)	At 31 March 2017	Additions / amortisation / impairment	Disposals	Other changes of which translation adjustments and scope	At 31 March 2018
Land	88	-	-	2	90
Buildings	745	34	(10)	87	856
Machinery and equipment	770	15	(21)	-	764
Constructions in progress	107	123	-	(118)	112
Tools, furniture, fixtures and other	233	12	(15)	(24)	206
Gross value	**1,943**	**184**	**(46)**	**(53)**	**2,028**
Land	(9)	-	-	-	(9)
Buildings	(432)	(33)	9	-	(456)
Machinery and equipment	(568)	(30)	19	13	(566)
Constructions in progress	(14)	-	-	-	(14)
Tools, furniture, fixtures and other	(171)	(14)	14	19	(152)
Amortisation and impairment	**(1,194)**	**(77)**	**42**	**32**	**(1,197)**
Land	79	-	-	2	81
Buildings	313	1	(1)	87	400
Machinery and equipment	202	(15)	(2)	13	198
Constructions in progress	93	123	-	(118)	98
Tools, furniture, fixtures and other	62	(2)	(1)	(5)	54
NET VALUE	**749**	**107**	**(4)**	**(21)**	**831**

The Group continues to adapt and modernize its organization around the world, notably with the construction of new manufacturing sites in India and the USA. In the same way, less than two years after the start of the construction, the new factory and training center complex in Dunnottar (South Africa) are almost finalized.

This mainly contributes to the commitments of fixed assets amounting to €68 million at 31 March 2018 (€75 million at 31 March 2017).

(in € million)	At 31 March 2016	Additions / amortisation / impairment	Disposals	Other changes of which translation adjustments and scope	31 March 2017
Land	87	3	(1)	(1)	88
Buildings	688	23	(3)	37	745
Machinery and equipment	727	38	(10)	15	770
Constructions in progress	58	61	-	(12)	107
Tools, furniture, fixtures and other	257	9	(4)	(29)	233
Gross value	**1,817**	**134**	**(18)**	**10**	**1,943**
Land	(9)	-	-	-	(9)
Buildings	(405)	(24)	2	(5)	(432)
Machinery and equipment	(553)	(36)	10	11	(568)
Constructions in progress	(15)	(1)	-	2	(14)
Tools, furniture, fixtures and other	(180)	(10)	4	15	(171)
Amortisation and impairment	**(1,162)**	**(71)**	**16**	**23**	**(1,194)**
Land	78	3	(1)	(1)	79
Buildings	283	(1)	(1)	32	313
Machinery and equipment	174	2	-	26	202
Constructions in progress	43	60	-	(10)	93
Tools, furniture, fixtures and other	77	(1)	-	(14)	62
NET VALUE	**655**	**63**	**(2)**	**33**	**749**

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

(in € million)	At 31 March 2017	At 31 March 2018
Land	-	3
Buildings	13	15
Machinery and equipment	2	-
Tools, furniture, fixtures and other	1	1
NET VALUE OF TANGIBLE ASSETS HELD UNDER FINANCE LEASES	**16**	**19**

NOTE 13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Financial information

	Share in equity		Share of net income	
(in € million)	At 31 March 2018	At 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017
Grid Alliance	-	1,395	(96)	(78)
Renewable Alliance	-	(317)	(124)	(884)
Nuclear Alliance	(65)	(40)	(36)	(170)
Put on Alliances(*)	178	1,287	421	1,222
Energy Alliances	**113**	**2,325**	**165**	**90**
The Breakers Investments B.V.	260	281	23	8
Other	100	89	31	(10)
Other Associates	**360**	**370**	**54**	**(2)**
Associates	473	2,695	219	88
Joint ventures	60	60	(3)	(5)
TOTAL	**533**	**2,755**	**216**	**83**
Of which continued			*216*	*82*
Of which discontinued			*-*	*1*

(*) At March 2018, only related to Nuclear Alliance.

At 31 March 2018, the main variations are as follows:

- Energy Alliances (see Note 13.1) :
  - Alstom decided to exercise its put options in September 2018 : Grid and Renewable Alliances (and the related options) have been reclassified in Assets held for sale for €2,382 million (see Note 13.5);
  - in addition, as the exit price is guaranteed with the put option mechanism, the decrease in the Alliances value is balanced with the increase of the put option value;
- The Breakers Investments B.V.: the variation is mainly due to the profit for the period for €23 million and to the currency translation effect for €(44) million over the period.

Movements during the period

(in € million)	At 31 March 2018	At 31 March 2017
Opening balance	**2,755**	**2,588**
Share in net income of equity-accounted investments	216	83
Dividends	(18)	(8)
Acquisitions	-	32
Transfer to assets held for sale	(2,382)	-
Translation adjustments and other	(38)	60
CLOSING BALANCE	**533**	**2,755**

13.1 The three Energy Alliances

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

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

Main features on each alliance are detailed in the table below:

	JV Nuclear **(Global Nuclear and French Steam)**	**JV Grid** **(Alstom Grid + GE Digital Energy)**	**JV Renewable** **(Hydro + offshore Renewable)**
Alstom initial investment in capital	€0.1 billion 20% - one share	€1.7 billion 50% - one share	€0.6 billion 50% - one share
Alstom voting rights	50% - 2 votes	50% - one share	50% - one share
Governance (Board)	Alstom : 50% - one member GE : 50% French State : 1 member CEO nominated by GE has a casting vote on main operational and financial decisions (approval budget, strategic matters, dividends…)	Alstom : 50% GE : 50% CEO nominated by GE has a casting vote on main operational and financial decisions (approval budget, strategic matters, dividends…)	Alstom : 50% GE : 50% CEO nominated by GE has a casting vote on main operational and financial decisions (approval budget, strategic matters, dividends…)
Specific rights	French State : Veto Right on specific issues	Alstom consent protective rights (material amendments, changing shares, material related party transactions, …)	Alstom consent protective rights (material amendments, changing shares, material related party transactions, …)
Put option	Lock up period : 5 years Put option to sell its shares to GE during first quarter following the 5th and 6th year Exit value : highest of minimum acquisition price + 2% per year or fair value (based on contractual multiple x operating results)	If no IPO completed by 1 September 2018 or 2019, Alstom can exercise the put at any time between 1 and 30 September 2018 or 1 and 30 September 2019. Exit value : highest between Minimum acquisition price + 3% per year or fair value (based on contractual multiple x operating results)	If no IPO completed by 1 September 2018 or 2019, Alstom can exercise the put at any time between 1 and 30 September 2018 or 1 and 30 September 2019. Exit value : highest between Minimum acquisition price + 3% per year or fair value (based on contractual multiple x operating results)
Call option	If Alstom exercises its put options in the JV Grid and the JV Renewable, at any time during two months GE has a call on the Nuclear JV		Call option to buy GE’s shares (60% up to 100%) at any time between 1 and 31 May on 2016 to 2019

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

- the Group will exercise the puts on Grid and Renewable Alliances on 1st September 2018;
- Alstom will exercise its put option on Nuclear Alliance in the first quarter of 2021;
- the exit value will be the acquisition price +3% per annum on Grid and Renewable Alliance, acquisition price +2% per annum on Nuclear Alliance.

As the ultimate exit price is guaranteed in euro:

- the capital gain arising from the disposal price evaluation as well as the amortization of the time value are recognized over the holding period of the shares : the amount for the financial year 2017/2018 is €165 million;
- the change in fair value of put options, qualified as a cash flow hedge, is recognized as follows:
    - €126 million in other comprehensive income (of which €121 million related to translation adjustment and to actuarial gains & losses symmetrically to the hedged associates);
    - €256 million in the income statement symmetrically to the result of Alliances on the period.

In January 2018, Alstom informed GE that the Group intend to exercise its put options on Grid and Renewable Alliances in September 2018 in accordance with the agreements concluded within the framework of the combination with Siemens. The minimum price that GE would be required to pay, pursuant to the agreements, to purchase Alstom's interest at that time would be a net amount of €1,828 million for Grid Alliance and €636 million for Renewable Alliance. In consequence, Grid and Renewable Alliances have been reclassified in Assets held for sale for a total amount of €2,382 million. Alstom has also informed GE of its intention to exercise the put option with respect to the Nuclear joint venture in the first quarter of 2021.

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

Summarized combined financial information (at 100%) presented below are the figures as of 31 December 2017 and are established in accordance with IFRS. These financial statements are established in USD and were converted to euros, based on the exchange rates used by the Group, as of 31 March 2018.

Balance sheet

	At 31 December 2017		
(in € million)	**Grid Alliance**	**Renewable Alliance**	**Nuclear Alliance**
Non-current assets	4,250	1,420	1,079
Current assets	4,210	568	1,809
TOTAL ASSETS	**8,460**	**1,988**	**2,888**
Equity-attributable to the owners of the parent company	2,127	(994)	(350)
Equity-attributable to non-controlling interests	432	20	-
Non-current liabilities	984	212	1,088
Current liabilities	4,917	2,750	2,150
TOTAL EQUITY AND LIABILITIES	**8,460**	**1,988**	**2,888**
Equity interest held by the Group	50%	50%	20%
NET ASSET	**1,064**	**(497)**	**(70)**
Goodwill	139	22	5
Put option	561	1,093	178
Transfer to assets held for sale	(1,764)	(618)	-
CARRYING VALUE OF THE GROUP'S INTERESTS	**-**	**-**	**113**

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

Income statement

(in € million)	Year ended 31 December 2017 Grid Alliance	Renewable Alliance	Nuclear Alliance
Sales	4,585	978	713
Net income	(177)	(250)	(179)
Share of non-controlling interests	(15)	3	-
Net income attributable to the owners of the parent company	**(192)**	**(247)**	**(179)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN THE NET INCOME	**(96)**	**(124)**	**(36)**
Net income attributable to the owners of the parent company	(192)	(247)	(179)
Other comprehensive income	(306)	(75)	55
Other items (*)	115	4	-
Change in net asset	**(383)**	**(318)**	**(124)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN CHANGE IN NET ASSET	**(192)**	**(159)**	**(25)**

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

(in € million)	Year ended 31 December 2016 Grid Alliance	Renewable Alliance	Nuclear Alliance
Sales	4,601	606	1,142
Net income	(154)	(1,772)	(848)
Share of non-controlling interests	(3)	4	-
Net income attributable to the owners of the parent company	**(157)**	**(1,768)**	**(848)**
Equity interest held by the Group	**50%**	**50%**	**20%**
GROUP'S SHARE IN THE NET INCOME	**(78)**	**(884)**	**(170)**
Net income attributable to the owners of the parent company	(157)	(1,768)	(848)
Other comprehensive income	(9)	41	59
Other items (*)	-	-	-
Change in net asset	**(166)**	**(1,727)**	**(789)**
Equity interest held by the Group	50%	50%	20%
GROUP'S SHARE IN CHANGE IN NET ASSET	**(83)**	**(864)**	**(158)**

Reclassification of Grid and Renewable Alliances in Assets held for sale

As at 31 March 2018, the Alliances Grid and Renewable have been reclassified for €2,382 million from Associates to Assets held for sale (see Note 13.1).

Furthermore, in the context of the disposal of Energy activities to GE, only one Chinese entity remains accounted for as assets (and related liabilities) held for sale, while waiting for authorizations required from a regulatory and merger control standpoint. The Group has already been compensated within the transaction price for €3 million, accounted for as liabilities related to assets held for sale, for those "staggered and delayed transferred assets". Amounts are not significant in the income statement as in the balance sheet for this entity.

13.2 The Breakers Investments B.V.

Since 29 December 2015, Alstom owns 33% of The Breakers Investments B.V., the 100% holding company of Transmashholding ("TMH"), the leading Russian railway equipment manufacturer that operates in Russia and in the other countries of the Commonwealth of Independent States (CIS). Alstom also has three seats in the TMH Board of Directors. As Alstom owns only a significant influence, the group TMH is accounted for by the equity method.

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

The summarized financial information (at 100%) presented below are the figures disclosed in the financial statements of The Breakers Investments B.V. at 31 December 2017 and are established in accordance with IFRS. These financial statements, established in Rubles, were converted to euros based on the rates used by the Group at 31 March 2018.

Balance sheet and reconciliation on carrying value

(in € million)	At 31 December 2017	At 31 December 2016
Non-current assets	818	955
Current assets	1,107	1,381
TOTAL ASSETS	**1,925**	**2,336**
Equity-attributable to the owners of the parent company	772	853
Equity-attributable to non-controlling interests	125	158
Non current liabilities	238	173
Current liabilities	790	1,152
TOTAL EQUITY AND LIABILITIES	**1,925**	**2,336**
Equity interest held by the Group	33%	33%
NET ASSET OF THE BREAKERS INVESTMENTS B.V.	**257**	**284**
Goodwill	73	85
Impairment of share in net asset of equity investments	(62)	(72)
Other (*)	(8)	(16)
SHARE IN THE CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**260**	**281**

(*) Correspond to the remaining fair value restatements calculated at the time of the acquisition, as at 31 March 2018.

(in € million)	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Sales	2,300	1,725
Net income from continuing operations	40	26
Share of non-controlling interests	8	14
Net income attributable to the owners of the parent company	**48**	**40**
Equity interest held by the Group	33%	33%
Share in the net income	**16**	**13**
Other items (*)	7	(5)
GROUP'S SHARE IN THE NET INCOME	**23**	**8**
Net income attributable to the owners of the parent company	48	40
Other comprehensive income	(129)	138
Change in net asset	**(81)**	**178**
Equity interest held by the Group	33%	33%
GROUP'S SHARE IN CHANGE IN NET ASSET S OF THE BREAKERS INVESTMENTS B.V	**(27)**	**59**
Other items (*)	**6**	**8**
SHARE IN THE CARRYING VALUE OF THE GROUP'S INTERESTS IN THE BREAKERS INVESTMENTS B.V	**(21)**	**67**

(*) Include changes in the amounts recognized at the time of allocation of the acquisition price.

13.3 Other associates

The Group's investment in other associates comprises investment in Casco, held by the Group at 49%, for €91 million (of which €29 million of net profit) as well as other associates which are not significant on an individual basis. On aggregate, the net carrying value of Alstom's Investment represents €100 million as of 31 March 2018 (€89 million as of 31 March 2017).

EKZ

As at 22 December 2017, Alstom signed an agreement with the Kazakh national railway company (KTZ) to acquire their 25% stake in the EKZ Joint Venture (JV) for €21 million, recognized as non-current assets (see Note 15) because of existing suspended conditions. At the end, Alstom will own 75% of the shares and will become majority shareholder in its Kazakh locomotive joint venture.

13.4 Investment in joint-ventures

	Share in equity		**Share of net income**	
(in € million)	**At 31 March 2018**	**At 31 March 2017**	**For the year ended 31 March 2018**	**For the year ended 31 March 2017**
SpeedInnov JV	60	60	-	-
Other	-	-	(3)	(5)
JOINT VENTURES	**60**	**60**	**(3)**	**(5)**

NOTE 14. NON-CONSOLIDATED INVESTMENTS

Entities over which the Group has no significant influence or when the value is not material are not consolidated. 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.

Movements during the period

(in € million)	At 31 March 2018	At 31 March 2017
Opening balance	**55**	**38**
Acquisitions / disposals	3	18
Translation adjustments and other	-	(1)
Closing balance	**58**	**55**

The Group's equity investment in other investments is not significant on an individual basis and notably comprises investments in companies that hold PPPs (public-private partnerships) agreements or have entered into concession agreements, typically for an ownership lower than 20%.

NOTE 15. OTHER NON-CURRENT ASSETS

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 other non-current 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.

(in € million)	At 31 March 2018	At 31 March 2017
Financial non-current assets associated to financial debt (*)	213	260
Long-term loans, deposits and other	64	56
Other non-current assets	**277**	**316**

(*) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 27 and 34). They are made up as follows:

- at 31 March 2018, €213 million receivables;
- at 31 March 2017, €244 million receivables and €16 million deposit.

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Movements over the period ended 31 March 2018 mainly arise from the decrease of €(41) million of obligations described above, from the increase of €21 million related to the acquisition of 25% shares more in EKZ (see Note 13.3) and from foreign exchange translation impacts of €(12) million.

F. WORKING CAPITAL

NOTE 16. WORKING CAPITAL ANALYSIS

(in € million)	At 31 March 2018	At 31 March 2017	Variation
Inventories	1,146	916	230
Construction contracts in progress, net	(1,472)	(1,652)	180
Trade receivables	1,589	1,693	(104)
Other current operating assets / (liabilities)	(227)	(309)	82
Provisions	(843)	(864)	21
Trade payables	(1,346)	(1,029)	(317)
WORKING CAPITAL	**(1,153)**	**(1,245)**	**92**

(in € million)	For the year ended 31 March 2018
Working capital at the beginning of the period	**(1,245)**
Changes in working capital resulting from operating activities	33
Changes in working capital resulting from investing activities	9
Translation adjustments and other changes	50
Total changes in working capital	**92**
Working capital at the end of the period	**(1,153)**

NOTE 17. 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.

Work in progress refers to costs incurred on product contracts or short term service contracts whose execution will be finalised during a next period.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(in € million)	At 31 March 2018	At 31 March 2017
Raw materials and supplies	825	664
Work in progress	287	234
Finished products	150	130
Inventories, gross	**1,262**	**1,028**
Raw materials and supplies	(103)	(92)
Work in progress	(3)	(7)
Finished products	(10)	(13)
Write-down	**(116)**	**(112)**
Inventories, net	**1,146**	**916**

NOTE 18. CONSTRUCTION CONTRACTS IN PROGRESS

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.

(in € million)	At 31 March 2018	At 31 March 2017	Variation
Construction contracts in progress, assets	2,675	2,834	(159)
Construction contracts in progress, liabilities	(4,147)	(4,486)	339
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,472)**	**(1,652)**	**180**

(in € million)	At 31 March 2018	At 31 March 2017	Variation
Contracts costs incurred plus recognised profits less recognised losses to date	33,641	33,078	563
Less progress billings	(32,961)	(32,454)	(507)
Construction contracts in progress excluding down payments received from customers	**680**	**624**	**56**
Down payments received from customers	(2,152)	(2,276)	124
CONSTRUCTION CONTRACTS IN PROGRESS	**(1,472)**	**(1,652)**	**180**

NOTE 19. TRADE 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 Earnings Before Interests and Taxes.

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.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights in a transaction under which substantially all the risks and rewards of the financial assets are transferred.

			Past due on the closing date		
(in € million)	Total	No past due on the closing date	Less than 60 days	Between 60 and 180 days	More than 180 days
At 31 March 2018	**1,589**	**1,138**	**142**	**48**	**261**
o/w gross	1,651	1,171	161	49	270
o/w impairment	(62)	(33)	(19)	(1)	(9)
At 31 March 2017	**1,693**	**1,175**	**167**	**88**	**263**
o/w gross	1,715	1,189	167	88	271
o/w impairment	(22)	(14)	-	-	(8)

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NOTE 20. OTHER CURRENT OPERATING ASSETS

(in € million)	At 31 March 2018	At 31 March 2017
Down payments made to suppliers	154	96
Corporate income tax	59	80
Other taxes	242	209
Prepaid expenses	80	60
Other receivables	286	199
Derivatives relating to operating activities	298	290
Remeasurement of hedged firm commitments in foreign currency	209	431
Other current operating assets	**1,328**	**1,365**

Over the period ended 31 March 2018, the Group entered into an agreement of assignment of receivables that leads to the derecognition of tax receivables for an amount of €31 million in accordance with IAS39 criteria. The total disposed amount outstanding at 31 March 2018 is €119 million.

NOTE 21. OTHER CURRENT OPERATING LIABILITIES

(in € million)	At 31 March 2018	At 31 March 2017
Staff and associated liabilities	483	461
Corporate income tax	48	23
Other taxes	89	79
Deferred income	4	-
Other payables	415	439
Derivatives relating to operating activities	253	487
Remeasurement of hedged firm commitments in foreign currency	263	185
Other current operating liabilities	**1,555**	**1,674**

Movements over the period ended 31 March 2018 mainly arose from derivatives (included Remeasurement of hedged firm commitments in foreign currency).

NOTE 22. 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 closing 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.

(in € million)	At 31 March 2017	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2018
Warranties	109	96	(17)	(51)	(2)	135
Other risks on contracts	141	48	(16)	(6)	11	178
Current provisions	**250**	**144**	**(33)**	**(57)**	**9**	**313**
Tax risks & litigations	215	27	(92)	(7)	5	148
Restructuring	25	38	(4)	(23)	(9)	27
Other non-current provisions	374	6	(3)	(5)	(17)	355
Non-current provisions	**614**	**71**	**(99)**	**(35)**	**(21)**	**530**
Total Provisions	**864**	**215**	**(132)**	**(92)**	**(12)**	**843**

(in € million)	At 31 March 2016	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2017
Warranties	105	92	(34)	(54)	-	109
Other risks on contracts	103	58	(18)	(12)	10	141
Current provisions	**208**	**150**	**(52)**	**(66)**	**10**	**250**
Tax risks & litigations	214	34	(38)	(4)	9	215
Restructuring	70	3	(15)	(34)	1	25
Other non-current provisions	371	40	(14)	(18)	(5)	374
Non-current provisions	**655**	**77**	**(67)**	**(56)**	**5**	**614**
Total Provisions	**863**	**227**	**(119)**	**(122)**	**15**	**864**

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

As well, provisions for other risks on contracts relate to commercial disputes and operating risks, not directly linked to contracts in progress.

In relation to tax risks, the Group tax filings are subject to audit by tax authorities in most jurisdictions in which the Group operates. These audits may result in assessment of additional taxes that are subsequently resolved with the authorities or potentially through the courts. The Group believes that it has strong arguments against the questions being raised, that it will pursue all legal remedies to avoid an 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. Change in tax risks over the period includes a release of provision further to the latest status of the audit relating to the transfer of the Energy activities.

Restructuring provisions mainly derive from the adaptation of the means of production in certain countries, as UK, the US and Brazil.

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

Main disputes are described in Note 33.

G. EQUITY AND DIVIDENDS

NOTE 23. EQUITY

When managing capital, objectives of the Group are 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 debt.

23.1 Movements in share capital

At 31 March 2018, the share capital of Alstom amounted to €1,555,473,297 consisting of 222,210,471 ordinary shares with a par value of €7 each. For the year ended 31 March 2018, the weighted average number of outstanding ordinary shares amounted to 221,097,018, after the dilutive effect of bonds reimbursable in shares "Obligations Remboursables en Actions") and to 225,033,250 after the effect of all dilutive instruments.

During the year ended 31 March 2018:

- 2,672 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 168 shares at a par value of €7. The 74,378 bonds reimbursable with shares outstanding at 31 March 2018 represent 4,671 shares to be issued;
- 1,020,164 of ordinary shares were issued under long term incentive plans;
- 1,478,309 of ordinary shares were issued under equity settled share based payments.

23.2 Currency translation adjustment in shareholders equity

As at 31 March 2018, the currency translation reserve amounts to €(587) million.

The currency translation adjustment, presented within the consolidated statement of comprehensive income for €(233)million, primarily reflects the effect of variations of the US Dollar (€(86) million), Brazilian Real (€(53) million), Russian Federation Rouble (€(42) million), Indian Rupee (€(25) million), and British Pound (€(2) million) against the Euro for the year ended 31 March 2018.

NOTE 24. DISTRIBUTION OF DIVIDENDS

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

At 31 March 2018, €7 million of dividends granted to non-controlling interests have been approved, of which €5 million paid over the period.

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H. FINANCING AND FINANCIAL RISK MANAGEMENT

NOTE 25. OTHER CURRENT FINANCIAL ASSETS

As at 31 March 2018, other non-current financial assets comprise the positive market value of derivatives instruments hedging loans, deposits and Group cash pooling positions.

(in € million)	At 31 March 2018	At 31 March 2017
Derivatives related to financing activities	8	8
OTHER CURRENT FINANCIAL ASSETS	**8**	**8**

NOTE 26. CASH AND CASH EQUIVALENTS

Cash equivalents are held to meet short-term cash commitments. In order to be considered as cash equivalent, an investment must be convertible to a known amount of cash within the coming three months and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

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

(in € million)	At 31 March 2018	At 31 March 2017
Cash	409	459
Cash equivalents	822	1,104
CASH AND CASH EQUIVALENT	**1,231**	**1,563**

In addition to bank open deposits classified as cash for €409 million, the Group invests in cash equivalents:

- Euro money market funds in an amount of €465 million (€746 million at 31 March 2017), qualified as "monetary" or "monetary short term" under the French AMF classification,
- Bank term deposits that can be terminated at any time with less than three months notification period in an amount of €357 million (€358 million at 31 March 2017).

NOTE 27. FINANCIAL DEBT

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.

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(in € million)	At 31 March 2017	Cash movements Net cash variation	Non-cash movements Change in scope	Assets acquired under finance leases	Translation adjustments and other	At 31 March 2018
Bonds	1 519	(272)	-	-	1	1 248
Other borrowing facilities	175	9	-	-	(21)	163
Put options and earn-out on acquired entities	55	(4)	-	-	(14)	37
Derivatives relating to financing activities	12	-	-	-	1	13
Accrued interests (*)	17	(66)	-	-	65	16
Borrowings	**1 778**	**(333)**	**-**	**-**	**32**	**1 477**
Obligations under finance leases	17	(2)	-	-	2	17
Other obligations under long-term rental (**)	244	(25)	-	-	(6)	213
Obligations under finance leases	**261**	**(27)**	**-**	**-**	**(4)**	**230**
Total financial debt	**2 039**	**(360)**	**-**	**-**	**28**	**1 707**

(*) Paid interests are disclosed in the net cash provided by operating activities part in the cash flow statement. Net interests paid and received amount to €(66) million.

(**) The other obligations under long-term rental represent liabilities related to lease obligations on trains and associated equipment (see Note 15).

The financial debt's variation over the period is mainly due to bonds reimbursement amounting to €272 million.

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

	Initial Nominal value (in € million)	Maturity date (dd/mm/yy)	Nominal interest rate	Effective interest rate	Accounting value at 31 March 2018	Market value at 31 March 2018
Alstom October 2018 (*)	500	05/10/2018	3.63%	3.71%	371	378
Alstom July 2019	500	08/07/2019	3.00%	3.18%	282	294
Alstom March 2020	750	18/03/2020	4.50%	4.58%	595	650
Total and weighted average rate			**3.90%**	**4.01%**	**1,248**	**1,322**

(*) During fiscal year ended 31 March 2016, bonds have been subject to partial repurchase.

Other borrowings consist in banking facilities drawn by affiliates.

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

(in € million)	At 31 March 2018	At 31 March 2017
Euro	1 300	1 585
Indian Rupee	77	54
British Pound	213	245
US Dollar	47	60
Other currencies	70	95
FINANCIAL DEBT IN NOMINAL VALUE	**1 707**	**2 039**

The external debt in GBP for €213 million essentially originates from a long-term lease scheme of trains, involving London Underground. The equivalent 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 15, 27 and 34).

NOTE 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

28.1 Financial instruments reported in the financial statements

The Group's financial liabilities encompass borrowings, trade and other payables.

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The Group's financial assets include loans, trade and other receivables, other current assets and cash and cash equivalents.

The Group is exposed to volatility risk in currency and interest rate, to 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 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 cash, cash equivalents, trade receivables and trade payables is considered as being equivalent to carrying value, due to their short maturities, or their market value in the case of money market funds;
- the fair value of derivative instruments is calculated on the basis of relevant yield curves and foreign exchange rates at "mid-market" at closing date.

IFRS 13 application for "Fair Value Measurement", which requires counterparty risk to be taken into account in measuring derivative instruments, does not have a material impact on the Group's financial statements.

Year ended 31 March 2018

Balance sheet positions at 31 March 2018

			Carrying amount of financial instruments by categories (*)					Fair value of items classified as financial instruments			
At 31 March 2018 (in € million)	**Balance sheet carrying amount**	**Carrying amount not defined as financial instruments**	**FV P/L**	**AFS**	**LRL at amortised cost**	**DER**	**Total**	**Listed prices**	**Internal model based on observable factors**	**Internal model not based on observable factors**	**Total**
Non consolidated investments	58	-	-	36	22	-	58	-	22	36	58
Other non-current assets	277	-	-	-	277	-	277	-	64	213	277
Trade receivables	1,589	-	-	-	1,589	-	1,589	-	1,589	-	1,589
Other current operating assets	1,328	535	209	-	286	298	793	-	793	-	793
Other current financial assets	8	-	-	-	-	8	8	-	8	-	8
Cash and cash equivalents	1,231	-	465	-	766	-	1,231	465	766	-	1,231
ASSETS	**4,491**	**535**	**674**	**36**	**2,940**	**306**	**3,956**	**465**	**3,242**	**249**	**3,956**
Non-current borrowings	952	-	-	-	952	-	952	944	75	-	1,019
Non-current obligations under finance leases	212	-	-	-	212	-	212	-	212	-	212
Current borrowings	525	-	-	-	512	13	525	378	154	-	532
Current obligations under finance leases	18	-	-	-	18	-	18	-	18	-	18
Trade payables	1,346	-	-	-	1,346	-	1,346	-	1,346	-	1,346
Other current liabilities	1,555	624	263	-	415	253	931	-	931	-	931
LIABILITIES	**4,608**	**624**	**263**	**-**	**3,455**	**266**	**3,984**	**1,322**	**2,736**	**-**	**4,058**

(*) 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

As mentioned in Note 13.1, there is a financial instrument (put) presented together with alliances in investments in associates disclosure.

Financial income and expense arising from financial instruments for the year ended 31 March 2018

(in € million)	FV P/L	AFS	amortised cost & DER	Total
Interests	7	-	(64)	(57)
Interest income	*7*	-	-	*7*
Interest expense	-	-	*(64)*	*(64)*
Foreign currency and other	-	-	(21)	(21)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2018	**7**	**-**	**(85)**	**(78)**

Year ended 31 March 2017

Balance sheet positions at 31 March 2017

			Carrying amount of financial instruments by categories (*)					Fair value of items classified as financial instruments			
At 31 March 2017 (in € million)	**Balance sheet carrying amount**	**Carrying amount not defined as financial instruments**	**FV P/L**	**AFS**	**LRL at amortised cost**	**DER**	**Total**	**Listed prices**	**Internal model based on observable factors**	**Internal model not based on observable factors**	**Total**
Non consolidated investments	55	-	-	55	-	-	55	-	-	55	55
Other non-current assets	316	-	-	-	316	-	316	-	56	260	316
Trade receivables	1,693	-	-	-	1,693	-	1,693	-	1,693	-	1,693
Other current operating assets	1,365	445	431	-	199	290	920	-	920	-	920
Other current financial assets	8	-	-	-	-	8	8	-	8	-	8
Cash and cash equivalents	1,563	-	746	-	817	-	1,563	746	817	-	1,563
ASSETS	**5,000**	**445**	**1,177**	**55**	**3,025**	**298**	**4,555**	**746**	**3,494**	**315**	**4,555**
Non-current borrowings	1,362	-	-	-	1,362	-	1,362	1,361	115	-	1,476
Non-current obligations under finance leases	233	-	-	-	233	-	233	-	233	-	233
Current borrowings	416	-	-	-	404	12	416	275	145	-	420
Current obligations under finance leases	28	-	-	-	28	-	28	-	28	-	28
Trade payables	1,029	-	-	-	1,029	-	1,029	-	1,029	-	1,029
Other current liabilities	1,674	566	185	-	436	487	1,108	-	1,108	-	1,108
LIABILITIES	**4,742**	**566**	**185**	**-**	**3,492**	**499**	**4,176**	**1,636**	**2,658**	**-**	**4,294**

(*) 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 the year ended 31 March 2017

(in € million)	FV P/L	AFS	LRL at amortised cost inc. related derivatives	Total
Interests	10	-	(87)	(77)
Interest income	*10*	-	-	*10*
Interest expense	-	-	*(87)*	*(87)*
Foreign currency and other	-	-	(38)	(38)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2017	**10**	**-**	**(125)**	**(115)**

28.2 Currency risk management

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 in the income statement.

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. Provided 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 are mainly corresponding to fair value hedge in case of hedge of the exposure attributable to recognised assets, liabilities or firm commitments.

Derivative are recognised and re-measured at fair value

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 as well as realised and unrealised exchange gains and losses on hedged items and hedging instruments.

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. For a large Transport project located in South Africa, the hedged firm commitments resulting from the commercial contract are recognised on a forward rate basis. Provided that the corresponding hedging relationship qualifies for hedge accounting, the change in fair value of the hedged items recorded at the project forward rate at inception offsets the change in fair value of the derivatives.

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.

Derivatives relating to financing activity

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

At 31 March 2018, net derivatives positions amount to a net liability of €(5) million and comprise mainly forward sale contracts of British Pound and South African Rand, but also, forward purchase contracts of Canadian Dollar and United Arab Emirates Dirrham.

(in € million)	**Net derivatives positions**	
Currency 1 / Currency 2 (*)	**Net notional**	**Fair value**
EUR/GBP	(211)	(5)
EUR/CAD	161	(1)
EUR/AED	181	2
EUR/ZAR	(10)	(3)
Other		2
Net derivatives related to financing activities		**(5)**

(*) Positive amount: the currency 2 is bought forward against currency 1. Negative amount: the currency 2 is sold forward against currency 1

Derivatives hedging commercial activity

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. The main currency triggering a significant exposure as of 31 March 2018 is primarily the US dollar.

During the tender period, depending on the probability to obtain the project and on market conditions, the Group may hedge in some cases a portion of its tenders using options or export insurance policies. Once the contract is in force, forward exchange contracts are used to hedge the actual exposure during the life of the contract.

Forward currency contracts are denominated in the same currency than the hedged item. Generally, the tenor of hedging derivatives matches with the tenor of the hedged items. However, the Group may decide depending on market conditions to enter into derivatives in shorter tenors and to roll them subsequently. Finally, in some cases, the Group can waive to be hedged because of the cost of the hedge or absence of efficient market.

The portfolio of operating of foreign exchange forward contracts has a weighted maturity below 1 year and 6 months. However some forward contracts may mature beyond five years to reflect the long term nature of some of the hedged contracts. The Group hedges about forty different currencies with a multitude of crosses depending on which entity of the Group is exposed to the currency. Change in foreign exchange rate is compensated by the reevaluation through Income Statement at fair market value on derivatives.

At 31 March 2018, net derivatives positions amount to a net asset of €45 million. They are summarized as follows:

(in € million)	**Net derivatives positions**	
Currency 1 / Currency 2 (*)	**Net notional**	**Fair value**
EUR/USD	(1,313)	53
EUR/BRL	60	10
EUR/INR	(130)	(24)
EUR/PLN	654	35
EUR/ZAR	(154)	(42)
EUR/CAD	(171)	8
Other		5
Net derivatives related to operating activities		**45**

(*) Positive amount: the currency 2 is bought forward against currency 1. Negative amount: the currency 2 is sold forward against currency 1

Most of the hedging instruments are negotiated by Alstom Holdings and are mirrored by hedging agreements between Alstom Holdings and the exposed subsidiaries. Whenever local regulations prohibit this intercompany hedging, instruments are negotiated directly by affiliates with local banks under the supervision of central Treasury.

Overall derivatives positions

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

	At 31 March 2018		**At 31 March 2017**	
(in € million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for fair value hedge	305	265	297	499
Derivatives not qualifying for hedge accounting	1	1	1	-
Total	**306**	**266**	**298**	**499**
Of which derivatives relating to financing activities	*8*	*13*	*8*	*12*
Of which derivatives relating to operating activities	*298*	*253*	*290*	*487*

Since derivatives have been set up, the change in foreign exchange spot rates, and to a lesser extend the relative change in interest rate curves relating to the hedged currencies, during the periods ended 31 March 2017 and 31 March 2018 explains the amount of fair value of derivative instruments (either positive or negative). For instruments that qualify for fair value hedge accounting, change in fair value arising from spot rates is mostly offset by the re-measurement of the underlying exposure (either on balance sheet or off-balance sheet).

The sensitivity of the Group's pre-tax income to a change in currencies arising from derivative instruments not qualifying for hedge accounting is not significant.

Alstom enters with its banking counterparties in bilateral standard derivatives agreements that generally do not provide a collateralization of derivatives market value.

These agreements generally require the offsetting of receivable and payable amounts in case of default of one of the contracting parties. These derivatives fall within the scope of disclosures under IFRS 7 on compensation and are presented in the tables below:

At 31 March 2018 (in € million)	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial assets/liabilities set off in the	Net amount of financial assets/liabilities presented in the balance sheet	Related amount not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivatives liabilities	306	-	306	(180)	-	126
Derivatives assets	(266)	-	(266)	180	-	(86)

At 31 March 2017 *(in € million)*	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial assets/liabilities set off in the	Net amount of financial assets/liabilities presented in the balance sheet	Related amount not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivatives liabilities	298	-	298	(240)	-	58
Derivatives assets	(499)	-	(499)	240	-	(259)

28.3 Interest rate risk management

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 portion of hedged risk. In the case of cash flow hedging relationships, the change in fair value of the derivative is recognised directly in other comprehensive income. Amounts previously recognised directly in other comprehensive income are reclassified to the income statement, when the hedged risk impacts the income statement.

As at 31 March 2018, the group keeps short dated floating rate financial assets on its balance sheet, while its debt is merely made of fixed rate bonds.

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.

(in € million)	At 31 March 2018	At 31 March 2017
Financial assets at floating rate	1,294	1,618
Financial assets at fixed rate	213	260
Financial assets bearing interests	**1,507**	**1,878**
Financial debt at floating rate	(140)	(153)
Financial debt at fixed rate, put options and earn-out on acquired entities	(1,567)	(1,886)
Financial debt bearing interests	**(1,707)**	**(2,039)**
Total position at floating rate before swaps	1,154	1,465
Total position at fixed rate before swaps	(1,354)	(1,626)
Total position before hedging	**(200)**	**(161)**
Total position at floating rate after swaps	1,154	1,465
Total position at fixed rate after swaps	(1,354)	(1,626)
TOTAL POSITION AFTER HEDGING	**(200)**	**(161)**

Sensitivity is analysed based on the group's net cash position at 31 March 2018, assuming that it remains constant over one year.

In absence of interest rate derivatives, the effects of increases or decreases in market rates are symmetrical: a rise of 0.1% would increase the net interest income by €1 million while a fall of 0.1% would decrease it by €1 million.

28.4 Credit risk management

Credit risk is the risk that counterparty will not meet its payment obligations under 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 for construction contracts in progress) and on 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, or can also be the subject of the insurance policies taken out by the Group, hedging up to 85% of the credit risk on certain contracts (see also Note 19). However, this mechanism of protection may become incomplete, uncertain or ineffective because of the duration of the Group's contract in a changing environment, particularly in emerging countries.

Risk related to other financial assets

In addition to the recovery of assets held for sale, the Group's exposure to credit risk related to other financial assets, especially derivatives, 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 more than 30 different counterparties and the risk is therefore highly diluted, the largest exposure with one single counterparty (rated A1) being limited to €55 million.

28.5 Liquidity risk management

In addition to its available cash and cash equivalents, amounting to €1,231 million at 31 March 2018, the Group can access a €400 million revolving credit facility, maturing in June 2022, which is fully undrawn at March 2018.

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

- Total net debt is defined as total debt except financial lease and financial derivatives less cash and cash equivalents,
- The EBITDA is defined as earnings before financing expense, financing income, income taxes, amortisation and impairment charges on tangible and intangible assets.

This ratio should not exceed 2.5.

The financial covenant calculation is detailed below:

(in € million)	For the year ended 31 March 2018	For the year ended 31 March 2017
EBITDA	541	515
Total net debt	232	203
Total Net debt leverage	**0.4**	**0.4**

The GAAP measure EBIT reconciles with non-GAAP measure EBITDA indicator, as follows:

(en millions d'€)	At 31 March 2018	At 31 March 2017
Earnings Before Interests and Taxes	**381**	**358**
Amortisation, Depreciation & Impairment	163	155
Capital G/L on Disposal of Investment	(3)	2
EBITDA	**541**	**515**

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

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

Treasury Centralization

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

The Group diversifies its cash investments in order to limit its counterparty risk. In addition to short term deposits with tier-one banks, the group invested in euro money market funds qualified as "monetary" or "monetary short term" under the AMF classification. Cash investments are reviewed on a regular basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7 and the AMF's recommendations.

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. Cash available in subsidiaries located in countries with local constraints delaying or restricting the Group's access to this cash was €88 million at 31 March 2018 and €128 million at 31 March 2017.

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Future Cash Flow

The Group's objective is to maintain a strong liquidity, commensurate with the changes in working capital triggered by its long term activity.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2018 and 31 March 2017, except for the put option on Energy Alliances described in Note 13.1.

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 2018

Cash flow arising from instruments included in net cash/(debt) at 31 March 2018

		2019		2020		2021-2023		2024 and thereafter	
(in € million)	Carrying amount	Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	213	77	17	14	17	33	59	22	120
Other current financial assets	8	-	8	-	-	-	-	-	-
Cash and cash equivalents	1 231	(2)	1 231	-	-	-	-	-	-
Assets	**1 452**	**75**	**1 256**	**14**	**17**	**33**	**59**	**22**	**120**
Non-current borrowings	(952)	(36)	-	(64)	(915)	(28)	(36)	-	-
Non-current obligations under finance leases	(212)	-	-	-	(19)	-	(21)	-	(172)
Current borrowings	(525)	(30)	(525)	-	-	-	-	-	-
Current obligations under finance leases	(18)	-	(18)	-	-	-	-	-	-
Liabilities	**(1 707)**	**(66)**	**(543)**	**(64)**	**(934)**	**(28)**	**(57)**	**-**	**(172)**
Net cash/(debt)	**(255)**	**9**	**713**	**(50)**	**(917)**	**5**	**2**	**22**	**(52)**

Cash flow arising from operating derivatives at 31 March 2018

		2019		2020		2021-2023		2024 and thereafter	
(in € million)	Carrying amount	Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	298	-	166	-	63	-	66	-	3
Assets	**298**	**-**	**166**	**-**	**63**	**-**	**66**	**-**	**3**
Other current operating liabilities	(253)	-	(143)	-	(54)	-	(55)	-	(2)
Liabilities	**(253)**	**-**	**(143)**	**-**	**(54)**	**-**	**(55)**	**-**	**(2)**
Derivatives	**45**	**-**	**23**	**-**	**9**	**-**	**11**	**-**	**1**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2018

		2019		2020		2021-2023		2024 and thereafter	
(in € million)	Carrying amount	Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Non consolidated investments	58	-	-	-	17	-	-	-	41
Other non-current assets	64	-	-	-	-	-	-	-	64
Trade receivables	1,589	-	1,589	-	-	-	-	-	-
Other current operating assets	495	-	495	-	-	-	-	-	-
Assets	**2,206**	**-**	**2,084**	**-**	**17**	**-**	**-**	**-**	**105**
Trade payables	(1,346)	-	(1,346)	-	-	-	-	-	-
Other current operating liabilities	(680)	-	(680)	-	-	-	-	-	-
Liabilities	**(2,026)**	**-**	**(2,026)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**180**	**-**	**58**	**-**	**17**	**-**	**-**	**-**	**105**

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Financial instruments held at 31 March 2017

Cash flow arising from instruments included in net cash/(debt) at 31 March 2017

(in € million)	Carrying amount	2018 Interests	2018 Repayment	2019 Interests	2019 Repayment	2020-2022 Interests	2020-2022 Repayment	2023 and thereafter Interests	2023 and thereafter Repayment
Other non-current assets	260	17	26	15	17	38	57	31	160
Other current financial assets	8	-	8	-	-	-	-	-	-
Cash and cash equivalents	1,563	-	1,563	-	-	-	-	-	-
Assets	**1,831**	**17**	**1,597**	**15**	**17**	**38**	**57**	**31**	**160**
Non-current borrowings	(1,362)	(49)	-	(49)	(468)	(36)	(894)	-	-
Non-current obligations under finance leases	(233)	-	-	(16)	(18)	(40)	(63)	(32)	(152)
Current borrowings	(416)	(21)	(416)	-	-	-	-	-	-
Current obligations under finance leases	(28)	(17)	(28)	-	-	-	-	-	-
Liabilities	**(2,039)**	**(87)**	**(444)**	**(65)**	**(486)**	**(76)**	**(957)**	**(32)**	**(152)**
Net cash/(debt)	**(208)**	**(70)**	**1,153**	**(50)**	**(469)**	**(38)**	**(900)**	**(1)**	**8**

Cash flow arising from operating derivatives at 31 March 2017

(in € million)	Carrying amount	2018 Interests	2018 Repayment	2019 Interests	2019 Repayment	2020-2022 Interests	2020-2022 Repayment	2023 and thereafter Interests	2023 and thereafter Repayment
Other current operating assets	290	-	148	-	83	-	49	-	10
Assets	**290**	**-**	**148**	**-**	**83**	**-**	**49**	**-**	**10**
Other current operating liabilities	(487)	-	(218)	-	(159)	-	(95)	-	(15)
Liabilities	**(487)**	**-**	**(218)**	**-**	**(159)**	**-**	**(95)**	**-**	**(15)**
Derivatives	**(197)**	**-**	**(70)**	**-**	**(76)**	**-**	**(46)**	**-**	**(5)**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2017

(in € million)	Carrying amount	2018 Interests	2018 Repayment	2019 Interests	2019 Repayment	2020-2022 Interests	2020-2022 Repayment	2023 and thereafter Interests	2023 and thereafter Repayment
Non consolidated investments	55	-	-	-	-	-	17	-	38
Other non-current assets	56	-	-	-	-	-	-	-	56
Trade receivables	1,693	-	1,693	-	-	-	-	-	-
Other current operating assets	630	-	630	-	-	-	-	-	-
Assets	**2,434**	**-**	**2,323**	**-**	**-**	**-**	**17**	**-**	**94**
Trade payables	(1,029)	-	(1,029)	-	-	-	-	-	-
Other current operating liabilities	(621)	-	(621)	-	-	-	-	-	-
Liabilities	**(1,650)**	**-**	**(1,650)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**784**	**-**	**673**	**-**	**-**	**-**	**17**	**-**	**94**

28.6 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.

Occasionally, the Group can hedge its exposure with commodity derivatives (copper, aluminum) for which the notional and the market values remain not significant at 31 Mars 2018.

I. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS AND SHARE–BASED PAYMENTS

NOTE 29. 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 Earnings Before Interests and Taxes. The past service cost/profit and specific events impacts (e.g. curtailments and settlements) are recognised in other expense/income. Net interest on the net defined benefit liability (asset) and administration costs are included in financial income (expenses).

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 actuarial gains/losses are immediately recognised in full in "Other income/expenses" in the income statement.

The defined benefit obligation amounting to €950 million as at 31 March 2018 (see Note 29.2) is analysed as follows:

- several pension plans for €758 million;
- other post-employment benefits for €151 million which include mainly end-of-service benefits in France and Italy; and
- other long-term defined benefits for €41 million which mainly correspond to jubilees in France and Germany.

The reconciliation of funded status of the plans with assets and liabilities recognised in the balance sheet is as follows:

(in € million)	At 31 March 2018	At 31 March 2017
Defined benefit obligations	**(950)**	**(995)**
Fair value of plan assets	482	469
Unfunded status of the plans	**(468)**	**(526)**
Impact of asset ceiling	-	-
NET OF ACCRUED AND PREPAID BENEFIT COSTS AFTER ASSET CEILING	**(468)**	**(526)**
Of which:		
Accrued pension and other employee benefit costs	(468)	(526)
Prepaid pension and other employee benefit costs	-	-

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As detailed in this note, net provisions for post-employment benefits total €469 million, as at 31 March 2018, compared with €526 million, as at 31 March 2017. Movements over the period ended 31 March 2018 mainly arose from United Kingdom, Germany, Switzerland, the United States of America and France.

29.1 Description of the plans

Post-employment benefits are paid under defined contribution and defined benefit plans. The Group's only obligation under defined contribution plans is to pay fixed contributions into the funding vehicle. The payments are recognised when incurred in the income statement.

Defined benefit plans primarily relate to United Kingdom, Germany, and France. The specific characteristics (benefit formulas, funding policies and types of assets held) of the plans vary according to the regulations and laws in the country where the employees are located.

In the United Kingdom, there are three defined benefit pension plans covering different populations. Each of these are Sections of the large UK Railways Pension Scheme and provide a pension in the form of an indexed annuity. Two of these plans are historical and were closed to new members as of 1 July 2013 and the third was closed to new members on 1 April 2016. New hires are ordinarily offered the opportunity to participate in a defined contribution group pension plan ("GPP"), a group life insurance plan and an income replacement scheme.

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 in 2010 for the employees to remove most, particularly the higher risk, defined benefit pension plans. The plans continue to be accounted for as defined benefit plans under IAS 19R but with much lower risks for the company. With respect to employee contributions, these are remitted into defined contributions plans.

In France, defined benefit pension plans are mainly end-of-service benefits provided for under the terms of collective bargaining agreements and Group agreements.

In some countries, these commitments are covered in whole or in part by insurance contracts or pension funds. In this case, the commitments and assets are measured independently.

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, or the overfunded right to be recognized as an asset under specific requirements.

In the following tables, the "Other" zone represents mainly the United States of America, Sweden and Switzerland.

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29.2 Defined benefit obligations

(in € million)	At 31 March 2018	United Kingdom	Euro Zone	Other
Defined benefit obligations at beginning of year	**(995)**	**(453)**	**(449)**	**(93)**
Service cost	(39)	(14)	(16)	(9)
Plan participant contributions	(3)	(3)	-	-
Interest cost	(21)	(11)	(7)	(3)
Plan amendments	-	-	-	-
Business combinations / disposals	-	-	-	-
Curtailments	1	1	-	-
Settlements	-	-	-	-
Actuarial gains (losses) - due to experience	(12)	(8)	(1)	(3)
Actuarial gains (losses) - due to changes in demographic assumptions	14	13	-	1
Actuarial gains (losses) - due to changes in financial assumptions	44	28	16	-
Benefits paid	42	12	25	5
Foreign currency translation and others	19	9	1	9
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	**(950)**	**(426)**	**(431)**	**(93)**
Of which:				
Funded schemes	*(733)*	*(426)*	*(249)*	*(58)*
Unfunded schemes	*(217)*	-	*(182)*	*(35)*

(in € million)	At 31 March 2017	United Kingdom	Euro Zone	Other
Defined benefit obligations at beginning of year	**(938)**	**(400)**	**(448)**	**(90)**
Service cost	(34)	(10)	(16)	(8)
Plan participant contributions	(4)	(3)	-	(1)
Interest cost	(23)	(13)	(7)	(3)
Plan amendments	11	-	(1)	12
Business combinations / disposals	-	-	-	-
Curtailments	4	-	3	1
Settlements	-	-	-	-
Actuarial gains (losses) - due to experience	9	4	6	(1)
Actuarial gains (losses) - due to changes in demographic assumptions	1	-	(1)	2
Actuarial gains (losses) - due to changes in financial assumptions	(87)	(73)	(9)	(5)
Benefits paid	47	12	25	10
Foreign currency translation and others	19	30	(1)	(10)
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	**(995)**	**(453)**	**(449)**	**(93)**
Of which:				
Funded schemes	*(783)*	*(453)*	*(269)*	*(61)*
Unfunded schemes	*(212)*	-	*(180)*	*(32)*

29.3 Plan assets

As indicated in Note 29.1, for defined benefit plans, plan assets have been progressively built up by contributions from the employer and the employees, primarily in the United Kingdom, Germany, Switzerland and the United States of America.

(in € million)	At 31 March 2018	United Kingdom	Euro Zone	Other
Fair value of plan assets at beginning of year	**469**	**351**	**72**	**46**
Interest income	11	9	1	1
Actuarial gains (losses) on assets due to experience	16	13	(1)	4
Company contributions	10	5	-	5
Plan participant contributions	3	3	-	-
Benefits paid from plan assets	(16)	(12)	-	(4)
Foreign currency translation and others	(11)	(6)	-	(5)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**482**	**363**	**72**	**47**

(in € million)	At 31 March 2017	United Kingdom	Euro Zone	Other
Fair value of plan assets at beginning of year	**452**	**340**	**68**	**44**
Interest income	12	10	1	1
Actuarial gains (losses) on assets due to experience	33	30	3	-
Company contributions	13	6	-	7
Plan participant contributions	4	3	-	1
Benefits paid from plan assets	(20)	(12)	-	(8)
Foreign currency translation and others	(25)	(26)	-	1
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**469**	**351**	**72**	**46**

29.4 Components of plan assets

(in € million)	At 31 March 2018	%	United Kingdom	Euro Zone	Other
Equities	291	60.5%	71%	28%	29%
Bonds	170	35.3%	29%	66%	38%
Insurance contracts	4	0.9%	-	3%	4%
Other	16	3.3%	-	3%	29%
Total	**481**	**100%**	**100%**	**100%**	**100%**

(in € million)	At 31 March 2017	%	United Kingdom	Euro Zone	Other
Equities	277	59.1%	71%	33%	5%
Bonds	149	31.8%	29%	62%	7%
Insurance contracts	37	7.9%	-	3%	77%
Other	6	1.3%	-	2%	11%
Total	**469**	**100%**	**100%**	**100%**	**100%**

An active market price exists for all plan assets except properties. Assets of each funded plan are managed by a dedicated investment committee in accordance with the scheme rules and local regulation. The Group has representatives on these committees and promotes simple and diversified investment strategies.

The aim is to limit investment risks to those necessary to fulfil the benefit commitment (asset and liability management). As a result, strategic allocation favours liquid assets and especially long bonds. As at 31 March 2018, plan assets do not include securities issued by the Group.

29.5 Assumptions (weighted average rates)

Actuarial valuations of the Group's benefit obligation have been made as at 31 March 2018 and 31 March 2017.

These valuations include:

- Assumptions on staff turnover, mortality and salary increases;
- Assumptions on retirement ages varying from 60 to 65 depending on the country and the applicable laws;
- Discount rates used to determine the actuarial present value of the projected benefit obligations.

Actuarial assumptions used vary by type of plan and by country.

(in %)	At 31 March 2018	United Kingdom	Euro Zone	Other
Discount rate	2.30	2.80	1.68	2.86
Rate of compensation increase	3.15	3.60	2.75	2.41

(in %)	At 31 March 2017	United Kingdom	Euro Zone	Other
Discount rate	2.05	2.50	1.50	2.48
Rate of compensation increase	3.22	3.65	2.71	2.75

As of 31 March 2018, the weighted average durations of the defined benefit obligations are the following:

(in years)	At 31 March 2018	United Kingdom	Euro Zone	Other
Weighted average duration	16	19	13	14

Discount rate

In accordance with IAS 19R 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.

Rate of compensation increase

Compensation increase assumptions are determined at country level and reviewed centrally.

Assumptions related to the post-employment healthcare obligation

The healthcare trend rate is assumed to be 8.69% in the year ended 31 March 2018 and reduces thereafter to an ultimate rate of 4.49%.

Sensitivity analysis

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

(in € million)	At 31 March 2018
Impact of a 25bp increase or decrease in the discount rate	(29) / +37
Impact of a 25bp increase or decrease in the rate of compensation increase	+7 / (8)

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

As at 31 March 2018, the benefit expense for the whole Group is the following:

(in € million)	Year ended 31 March 2018	United Kingdom	Euro Zone	Other
Service cost	**(39)**	**(14)**	**(16)**	**(9)**
Defined contribution plans	(62)	(5)	(47)	(10)
Curtailments/settlements	1	1	-	-
EBIT impact	**(100)**	**(18)**	**(63)**	**(19)**
Financial income (expense)	**(13)**	**(4)**	**(6)**	**(3)**
Total benefit expense	**(113)**	**(22)**	**(69)**	**(22)**

(in € million)	Year ended 31 March 2017	United Kingdom	Euro Zone	Other
Service cost	**(34)**	**(10)**	**(16)**	**(8)**
Defined contribution plans	(67)	(4)	(45)	(18)
Past service gain (cost)	11	-	(1)	12
Curtailments/settlements	4	-	3	1
EBIT impact	**(86)**	**(14)**	**(59)**	**(13)**
Financial income (expense)	**(12)**	**(3)**	**(6)**	**(3)**
Net impact in discontinued activities	**(5)**	**-**	**-**	**(5)**
Total benefit expense	**(103)**	**(17)**	**(65)**	**(21)**

29.7 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 2018 amounted to €26 million and covers both regular contributions for accruing service and recovery contributions in case of funding shortfall.

For defined benefit plans, the expected cash outflows are the following:

- €26 million in the year ending 31 March 2019;
- €24 million in the year ending 31 March 2020;
- €25 million in the year ending 31 March 2021.

Total cash spent for defined contribution plans in the year ended 31 March 2018 amounted to €62 million.

For defined contribution plans, according to the company's best estimate, payments should remain stable over the next years, at constant scope and exchange rates.

NOTE 30. 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 or the Monte Carlo model for plans issued from 2016. 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 Earnings Before Interests and Taxes 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.

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30.1 Stock options and performance shares

Key characteristics

	Plans issued by Shareholders Meeting on 26 June 2007				Plans issued by Shareholders Meeting on 22 June 2010			
	Plan n°10	Plan n°10	Plan n°12	Plan n°12	Plan n°13	Plan n°13	Plan n°14	Plan n°14
	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares
Grant date	25/09/2007	25/09/2007	21/09/2009	21/09/2009	13/12/2010	13/12/2010	04/10/2011	04/10/2011
Exercise period	25/09/2010 24/09/2017	n/a	21/09/2012 20/09/2017	n/a	13/12/2013 12/12/2018	n/a	04/10/2014 03/10/2019	n/a
Number of beneficiaries	1,196	1,289	436	1,360	528	1,716	514	1,832
Adjusted number granted (1)	1,950,639	252,000	1,001,612	522,220	1,419,767	740,860	1,573,723	804,040
Adjusted number exercised since the origin	1,150	220,320	-	182,432	440,340	506,330	647,163	478,149
Adjusted number cancelled since the origin	1,949,489	31,680	1,001,612	339,788	468,163	234,530	638,291	325,891
Ajusted number outstanding at 31 March 2018	-	-	-	-	511,264	-	288,269	-
inc. to the present members of the Executive Committee	-	-	-	-	50,211	-	44,867	-
Adjusted exercise price (2) (in €)	58.73	n/a	43.48	n/a	28.83	n/a	22.96	n/a
Fair value at grant date (in €)	29.24	129.20	11.26	48.11	7.59	31.35	3.14	19.77

	Plans issued by Shareholders Meeting on 22 june 2010				Plans issued by Shareholders Meeting on 18 december 2015			
	Plan n°15	Plan n°15	Plan n°16	Plan n°16	PSP 2016	We are Alstom	PSP 2017	PSP 2018
	Stock options	Performance shares	Stock options	Performance shares	Performance shares	Free shares	Performance shares	Performance shares
Grant date	10/12/2012	10/12/2012	01/10/2013	01/10/2013	17/03/2016	23/09/2016	17/03/2017	13/03/2018
Exercise period	10/12/2015 09/12/2020	n/a	03/10/2016 30/09/2021	n/a	n/a	n/a	n/a	n/a
Number of beneficiaries	538	1,763	292	1,814	737	27,480	755	732
Adjusted number granted (1)	1,508,777	883,140	771,997	1,130,791	957,975	824,400	1,022,400	1,016,025
Adjusted number exercised since the origin	451,994	391,458	410,587	1,022,311	1,050	30	-	-
Adjusted number cancelled since the origin	806,630	491,682	72,625	108,480	132,348	-	43,425	-
Ajusted number outstanding at 31 March 2018	250,153	-	288,785	-	824,577	824,370	978,975	1,016,025
inc. to the present members of the Executive Committee	35,218	-	45,400	-	139,500	-	195,000	185,625
Adjusted exercise price (2) (in €)	24.10	n/a	23.44	n/a	n/a	n/a	n/a	n/a
Fair value at grant date (in €)	5.80	26.70	3.84	22.62	17.17	23.39	21.74	25.59

(1) The number of options and performance 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 (neither discount nor surcharge) and adjusted where necessary due to share buy back operation.

At 31 March 2018, stock options granted by plans 10, 12, 13, 14, 15 and 16 are fully vested. For plan 10, the end of the exercise period expired in September 2017, seven years after the end of the vesting period of each plan. For plans 12, 13, 14, 15 and 16, options expire five years after the end of the vesting period. For plan 12, the exercise period expired in September 2017.

The long term incentive plans set up since 2007 combine the allocation of stock options with the allocation of performance shares, except the latter since 2016 that allocate only performance shares.

The grant of these instruments is conditioned by the satisfaction of performance indicators.

LTI plan 15 granted on 10 December 2012

The total number of options exercisable and performance shares delivered was depending 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.

Based on consolidated financial statements for the fiscal years ended 31 March 2013 and 31 March 2014, the performance conditions were achieved for 30% of the initial grant of the LTIP15 options and performance shares.

In the context of the sale of the Energy activities, the Board of Directors considered that the performance conditions set for fiscal year ended 31 March 2015, weighting 20% of the initial grant, were deemed fully satisfied subject to and upon the completion of the transaction. As a result, 50% of the options were exercisable under this plan and 50% of performance shares have been delivered. 50% of options and performance shares have been cancelled.

LTI plan 16 granted on 1 October 2013

In the context of Energy transaction, the Board of Directors has considered that the performance conditions set for fiscal years ended 31 March 2015 and 31 March 2016 were deemed fully satisfied subject to and upon the completion of the transaction.

As a consequence, all options will be exercisable under this plan and all performance shares have been delivered on 2 October 2017.

In addition, for both plans 15 & 16, the presence condition has been waived for the beneficiaries having left the Group as part of the Energy transaction on the condition they are employees of Alstom Group as at the date of the closing of the transaction. This triggered the stock option and performance plans expense acceleration recorded in Income statement of discontinued operations.

PSP 2016 granted on 17 March 2016

This plan has been approved by the board of directors of 17 March 2016. It allocates 957,975 performance shares to 737 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and Free Cash Flow for fiscal years ended 31 March 2017, 31 March 2018, and 31 March 2019, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2019 results. As the performance conditions have been set for the year ended 31 March 2017, 5.27% of the performance shares have been cancelled.

2016 free share plan

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

It was also decided that in the countries where, for tax and/or legal purpose, the granting of free shares would be difficult or not possible, a cash equivalent bonus will be granted to employees.

PSP 2017 granted on 17 March 2017

This plan has been agreed by the board of directors of 17 March 2017. It allocates 1,022,400 performance shares to 755 beneficiaries.

The final allocation depends on two internal performance conditions based on Group adjusted EBIT margin and Free Cash Flow for fiscal years ended 31 March 2018, 31 March 2019, and 31 March 2020, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2020 results.

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PSP 2018 granted on 13 March 2018

This plan has been agreed by the board of directors of 13 March 2018. It allocates 1,016,025 performance shares to 732 beneficiaries.

The final allocation depends on one internal performance condition based on Group adjusted EBIT margin for fiscal years ended 31 March 2021, and one external condition linked to the performance of the Company's share. The final delivery will take place five days after the communication of the 31 March 2021 results.

The number of Performance Shares will be determined as follows:

		Performance to be achieved end of Fiscal Year 2020/2021		
Performance conditions	Percentage of the total initial grant	Percentage of shares to be acquired	Percentage of shares to be acquired	Percentage of shares to be acquired
Internal condition	50%	0%	66.7%	100%
		Linear from 0% up to 100%		
Adjusted EBIT Margin		≤ 7%	7.5%	≥ 8.3%
External condition (Relative)	50%	0%	66.7%	100%
		Linear from 0% up to 100%		
Alstom TSR/Index TSR		Alstom TSR ≤ 95% Index TSR	Alstom TSR = Index TSR	Alstom TSR ≥ 120% Index TSR

Movements

	Number of options	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2016	**7,838,555**	**35.44**	**2,208,837**
Granted(*)	-	0.00	1,846,800
Exercised	(387,226)	23.41	(215,144)
Cancelled	(2,693,928)	32.82	(66,115)
Outstanding at 31 March 2017	**4,757,401**	**37.90**	**3,774,378**
Granted(**)	-	0.00	1,016,025
Exercised	(1,460,920)	25.08	(1,020,164)
Cancelled	(1,958,010)	55.94	(126,292)
OUTSTANDING AT 31 March 2018	**1,338,471**	**25.52**	**3,643,947**
of which exercisable	*1,388,471*		*N/A*

(*) includes 824,400 free shares granted through the "We are Alstom" plan as well as 1,022,400 performance shares granted through the PSP 2017.

(**) includes 1,016,025 free shares granted through PSP 2018.

Valuation

	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	Performance shares	Stock options	Performance shares	Stock options	Performance shares	Stock options	Performance shares
Grant date	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 ou 4,0	3.5	2,5 ou 4,0	4.0	2,5 ou 4,0	4.0	2,5 ou 4,0
End of vesting period	20/09/2012	31/05/2012 ou 20/09/2013	12/12/2013	31/05/2013 ou 12/12/2014	03/10/2014	31/05/2014 ou 03/10/2015	09/12/2015	31/05/2015 ou 09/12/2016
Adjusted exercise price (*) (in €)	43.48	n/a	28.83	n/a	22.96	n/a	24.10	n/a
Share price at grant date (in €)	50.35	50.35	35.40	35.40	23.82	23.82	29.77	29.77
Volatility	30%	n/a	31%	n/a	31%	n/a	30%	n/a
Risk free interest rate	2.0%	2.3%	1.8%	2.0%	1.5%	1.5%	0.5%	0.5%
Dividend yield	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 of which the options were granted by the Board (no discount or surcharge) and adjusted, where necessary, due to share buy back operation.

	Plan n°16	Plan n°16	PSP 2016	We are Alstom	PSP 2017	PSP 2018
	Stock options	Performance shares	Performance shares	Free shares	Performance shares	Performance shares
Grant date	01/10/2013	01/10/2013	17/03/2016	23/09/2016	17/03/2017	13/03/2018
Expected life (in years)	3.0	4.0	3.2	2.0	3.2	3.2
End of vesting period	30/09/2016	30/09/2017	17/05/2019	23/09/2018	17/05/2020	13/05/2021
Adjusted exercise price (*) (in €)	23.44	n/a	n/a	n/a	n/a	n/a
Share price at grant date (in €)	26.33	26.33	21.84	24.00	26.56	34.19
Volatility	28%	n/a	23%	n/a	22%	20%
Risk free interest rate	0.9%	0.9%	(0.3)%	(0.6)%	(0.1)%	(0.2)%
Dividend yield	3.8%	3.8%	3.8%	1.3%	1.5%	1.5%

(*) The exercise price corresponds to the average opening price of the shares during the twenty trading days preceding the day of which the options were granted by the Board (no discount or surcharge) and adjusted, where necessary, due to share buy back operation.

The option valuation method follows a Black & Scholes model for plans 12, 13, 14, 15, 16, and the plan “We are Alstom” as well as Monte Carlo model for PSP 2016, PSP 2017, and PSP 2018 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 for plans 12 to 16, and Alstom’s volatility for the plans since PSP 2016.

The Group booked a total expense of €20 million for the year ended 31 March 2018 (to be compared to €10 million for the year ended 31 March 2017).

The Board of Directors is committed, in the event of a major change in the Group's strategy or structure, and in particular in connection with the proposed merger with Siemens' Mobility activities, or at the time of implementing new accounting standards (IFRS15) to adapting these performance conditions to new issues highlighted for the coming years, both in their nature and in the levels of results to be achieved, while maintaining a high level of demand.

30.2 Stock appreciation rights (“SARs”)

Key characteristics

	SARs n°10
Grant date	25/09/2007
Vesting date	25/09/2010
Expiry date	24/09/2017
Number of beneficiaries	8
Adjusted number granted (1)	4,800
Adjusted number exercised since the origin	-
Adjusted number cancelled since the origin	(4,800)
Ajusted number outstanding at 31 March 2018	-
Adjusted exercise price (2) (in €)	73.42

(1) 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

(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).

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Movements

	Number of SARs	Weighted average exercise price per share in €
Outstanding at 31 March 2016	**11,300**	**48.62**
Granted	-	-
Exercised	-	-
Cancelled	(8,400)	40.05
Outstanding at 31 March 2017	**2,900**	**73.42**
Granted	-	-
Exercised	-	-
Cancelled	(2,900)	73.42
OUTSTANDING AT 31 MARCH 2018	**-**	**-**
of which exercisable		

Valuation

	SARs n°10
Grant date	25/09/2007
Expected life (in years)	4
End of vesting period	24/09/2010
Adjusted exercise price (1) (in €)	73.42
Share price at 31 March 2018 (in €)	36.61
Share price at 31 March 2017 (in €)	28.02
Volatility	17.92%
Risk free interest rate	0.23%
Dividend yield	5.0%

(1) The number of SARs and their exercise prices has 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 Consolidated Income Statement.

NOTE 31. EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

In the following figures, staff of joint-operations entities are integrated in fully, staff of joint-ventures and associates are not considered.

	Year ended	
(in € million)	**31 March 2018**	**31 March 2017**
Wages and salaries	1,867	1,723
Social charges	415	433
Post-employment and other long-term benefit expense (see Note 29)	113	103
Share-based payment expense (see Note 30)	20	10
TOTAL EMPLOYEE BENEFIT EXPENSE	**2,415**	**2,269**

	Year ended	
	31 March 2018	**31 March 2017**
Staff of consolidated companies at year end		
Managers, engineers and professionals	17,927	16,486
Other employees	16,539	16,293
HEADCOUNT	**34,466**	**32,779**

	31 March 2018	31 March 2017
Average staff of consolidated companies over the period		
Managers, engineers and professionals	17,374	15,456
Other employees	16,612	16,419
HEADCOUNT	**33,986**	**31,875**

J. CONTINGENT LIABILITIES AND DISPUTES

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.

NOTE 32. CONTINGENT LIABILITIES

Commercial obligations

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

To issue these bonds, the Group relies on both uncommitted bilateral lines in numerous countries and a €3 billion Committed Bilateral Bonding Facility Agreement ("CBBGFA") with five tier one banks allowing issuance until 2 November 2020 of bonds with tenors up to 7 years. This bilateral line contains a change of control clause, which may result in the program being suspended, in the obligation to procure new bonds to replaces outstanding bonds or to provide cash collateral, as well as early reimbursement of the other debts of the Group, as a result of their cross-default or cross-acceleration provisions. Preparing the closing of the transaction with Siemens, Alstom will ask the lenders to accept change in control clause. The Group doesn't expect any difficulty to obtain this consent.

As at 31 March 2018, the total outstanding bonding guarantees related to contracts from continuing operations, issued by banks or insurance companies, amounted to €8.5 billion (€8.3 billion at 31 March 2017).

The available amount under the Committed Bilateral Bonding Guarantee Facility Agreement at 31 March 2018 amounts to €1.0 billion (€1.2 billion at 31 March 2017). The Committed Bilateral Bonding Guarantee Facility Agreement includes a financial covenant (leverage ratio) based on consolidated figures of the Group and consistent with the financial covenant of the revolving credit facility.

The key Group indicators used to calculate the financial covenants are detailed in Note 28.5.

NOTE 33. DISPUTES

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

Disputes in the Group's ordinary course of business

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

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

Other disputes

Asbestos

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

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

Alleged anti-competitive activities

Transportation activities in Brazil

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

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

Alleged illegal payments

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

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

The Prosecutor of the State of Sao Paulo launched in May 2014 an action against a Group's subsidiary in Brazil, along with a number of other companies, for a total amount asserted against all companies of BRL2.5 billion (approximately €610 million) excluding interests and possible damages in connection with a transportation project. The Group's subsidiary is actively defending itself against this action.

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

In the United Kingdom, the Serious Fraud Office (SFO) began investigations in 2010. The SFO opened during fiscal year 2014/15 three criminal prosecutions against entities of the Group and certain current and past employees of the Group in connection with transportation projects located in Poland, Tunisia, India and Hungary, and with an energy project located in Lithuania that is no longer handled by Alstom. In March 2016, the SFO announced that it was pressing charges against a seventh individual in its investigation. Following a shift in the procedural calendar, the trial phase for the project in Hungary took place during the summer of 2017 and could not be concluded. It has now been scheduled for September 2018. The trial phase for the other transportation projects took place at the beginning of 2018 and concluded on 10 April 2018. At the Southwark Crown Court in London, Alstom Network (UK) Ltd was acquitted, by a Jury, of conspiracies to corrupt in India and Poland. It was convicted on a single count of a conspiracy to corrupt in Tunisia but has lodged an appeal against this conviction. A financial penalty in relation to Tunisia will be determined following the conclusion of the Hungary Trial, which is likely to conclude by the end of 2018. It follows that should the appeal against conviction succeed, the financial penalty will be returned to the company. Due to the ongoing proceedings in London there is, in the UK, a strict prohibition on any reporting of the fact of the trial, the verdicts, or the upcoming proceedings referred to above. Accordingly, publication of this information would be a criminal offence in the UK, pursuant to the Contempt of Courts Act 1981, which is punishable with imprisonment. It remains difficult to assess with precision the final outcome of these procedures.

Budapest metro

In 2006, Alstom was awarded by BKV a contract for the delivery of metros for two lines in the city of Budapest. During the execution of the project, Alstom experienced delays mostly related to technical change requests from BKV and the refusal by the Hungarian Authority "NKH" to deliver the final train homologation in 2010 (in August 2007, NKH granted a Preliminary Type License). On 19 October 2010 BKV terminated the contract and called the bank guarantees. In July 2011 the parties agreed the re-entry into force of the contract and the suspension of the arbitration procedure initiated by Alstom in January 2011. The final train homologation was obtained in July 2012. The arbitration proceedings resumed on 17 December 2012 and are at the phase of assessments of damages claimed by the parties and expertise. The expert appointed by the arbitral tribunal has issued preliminary findings and the parties have submitted their responses to these findings for further consideration by the expert. This process is expected to continue until mid-2018.

CR-1 Marmaray railway infrastructure – Turkey

In March 2007, the Turkish Ministry of Transport (DLH) awarded the contract to upgrade approximately 75 km of railway infrastructure in the Istanbul region, known as the "Marmaray Commuter Rail Project (CR-1)" to the consortium Alstom Dogus Marubeni (AMD), of which Alstom Transport's main French subsidiary is a member. This project, which included works on the transcontinental railway tunnel under the Bosphorus, has undergone significant delays mainly due to difficulties for the DLH to make the construction site available. Thus, the AMD consortium terminated the contract in 2010. This termination was challenged by DLH, who thereafter called the bank guarantees issued by the consortium up to an amount of approximately €80 million. Following injunctions, the payment of such bank guarantees was forbidden and the AMD consortium immediately initiated an arbitration procedure to resolve the substantive issues. The arbitral tribunal has decided in December 2014 that the contract stands as terminated by virtue of Turkish law and has authorised the parties to submit their claims for compensation of the damages arising from such termination. Following this decision on the merits, DLH made renewed attempts in 2015 to obtain payment of the bank guarantees but defense proceedings by the AMD consortium have enabled so far to reject these payment requests.

In the arbitration procedure, the phase of assessment of damages is over. Hearings took place in October 2017 and post-hearing submissions were exchanged in February 2018.. The main next step will therefore be the issuance of the arbitral award on the quantum.

Also, through arbitration request notified on 29 September 2015, Marubeni Corporation launched proceedings against Alstom Transport SA taken as consortium leader in order to be compensated for the consequences of the termination of the contract with AMD. In a similar fashion, through arbitration request issued on 15 March 2016, the other consortium member Dogus launched proceedings against Alstom Transport SA with similar demands and a request to have the disputes between consortium members consolidated in a single case. Alstom Transport SA is rejecting these compensation requests and is defending itself in these proceedings between consortium members which, while having gone through a consolidation in a single case, have however been suspended by the arbitral tribunal pending the outcome of the main arbitral proceedings between AMD and DLH.

Regional Minuetto trains & high-speed Pendolino trains – Italy

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

Intercity trains Poland

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

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

Saturno

Following a dispute within a consortium involving Alstom's subsidiary in Italy and three other Italian companies, the arbitral tribunal constituted to resolve the matter has rendered in August 2016 a decision against Alstom by awarding €22 million of damage compensation to the other consortium members. Alstom's subsidiary strongly contests this decision and considers that it should be able to avoid its enforcement and thus prevent any damage compensation payment. On 30 November 2016, Alstom's subsidiary filed a motion in the Court of Appeals of Milan to obtain the cancellation of the arbitral award. On 1 December 2016, Alstom's subsidiary filed an ex parte motion for injunctive relief to obtain the suspension of the arbitral award pending the outcome of the appeal proceedings, which was temporarily accepted by the Court. After a phase of hearings in contradictory proceedings on the request for suspension of the arbitral award, the Court of Appeals of Milan decided on 3 March 2017 in favor of Alstom's subsidiary by confirming definitively the suspension of this arbitral decision pending the outcome of the proceedings relating to the cancellation of such decision. These proceedings are still on-going.

Jerusalem LRT

On the Jerusalem light rail tramway project, a dispute started in 2009 between the Concessionaire CityPass and the State of Israel to ascertain responsibilities for certain project delays and extra costs. Alstom's subsidiary in charge of the project is involved in the dispute in its capacity as EPC Contractor. The resolution of this dispute was initially handled through some form of dispute review board with two arbitrators reviewing claims and counterclaims produced by the parties and giving instructions to delay and quantum experts. In the past months, the matter has been evolving towards full-fledged arbitration proceedings with the parties being in the process of appointing a new panel of three arbitrators who will have to decide on the resolution of the dispute. Once this arbitral tribunal is constituted, its main tasks will be to review the financial compensation claimed by the Concessionaire and Alstom for the project prolongation, and to decide on the admissibility of the counterclaims raised by the State of Israel. In the past months though, the parties decided to postpone further developments in the arbitral proceedings in order to launch a mediation process, which is due to start in May 2018.

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.

K. OTHER NOTES

NOTE 34. LEASE OBLIGATIONS

(in € million)	Total	Within one year	1 to 5 yearss	Over 5 years
Long term rental (*)	296	31	125	140
Finance leases	20	3	9	8
Operating leases	378	56	148	174
TOTAL AT 31 MARCH 2018	**694**	**90**	**282**	**322**
Long term rental (*)	345	42	127	176
Finance leases	21	3	10	8
Operating leases	259	42	183	34
TOTAL AT 31 MARCH 2017	**626**	**87**	**320**	**219**

(*) Obligations related to a long-term rental of trains and associated equipment to a London metro operator (see Note 27) including interests to be paid.

NOTE 35. INDEPENDENT AUDITORS' FEES

Fees due to auditors and members of their networks in respect of years ended 31 March 2018 and 31 March 2016 were as follows:

	Year ended 31 March 2018				Year ended 31 March 2017			
	Mazars		PricewaterhouseCoopers		Mazars		PricewaterhouseCoopers	
(in € million)	Amount	%	Amount	%	Amount	%	Amount	%
Independent Auditors' diligence, certification, review of individual and consolidated accounts	**3,5**	**67%**	**3,1**	**65%**	**3,3**	**85%**	**3,0**	**83%**
ALSTOM SA	*0,6*	*12%*	*0,7*	*15%*	*0,6*	*15%*	*0,9*	*25%*
Controlled entities	*2,9*	*55%*	*2,4*	*50%*	*2,7*	*69%*	*2,1*	*58%*
Other services than the certification of accounts	**1,8**	**33%**	**1,7**	**35%**	**0,6**	**15%**	**0,6**	**17%**
TOTAL	**5,3**	**100%**	**4,8**	**100%**	**3,9**	**100%**	**3,6**	**100%**

Other services mainly include services rendered in connection with the contemplated transaction of combination of Alstom and Siemens Mobility (agreed upon procedures, information document to be published by Alstom, etc), agreed-upon procedures and acquisition due diligences, technical consultations on accounting, tax and regulatory matters.

NOTE 36. RELATED PARTIES

The Group has identified the following related parties:

- Shareholders of the Group
- State & publicly owned companies
- Associates & joint ventures (including Energy alliances)
- Key management personnel

36.1 Shareholders of the Group

As per the announcement of 26 September 2017, the French State did not exercise the call options on Alstom shares hold by Bouygues and restituted them on 17 October 2017.

Bouygues, a French company listed on Paris stock market, is the main shareholder of the Group, holding 27.94% of Alstom's share capital.

ALSTOM

36.2 Related-party disclosures

As French State restituted Alstom Shares on 17 October 2017, the State-owned companies, in particular SNCF, RATP and some of their subsidiaries, are not anymore considered as related parties at 31 March 2018. As a reminder, at 30 September 2017, the sales realized with these companies amounted to €470 million.

Bouygues and Alstom are involved in various contracts which are part of the ordinary course of business (e.g. phone contracts, construction contracts). These relations are subject to normal market terms and conditions. Those operating flows are not material at Group's level.

Moreover, related party transactions are also transactions with companies over which Alstom exercises significant influence or joint ventures over which Alstom exercises joint control. Those transactions with related parties are undertaken at market prices and represent less than 1% of the sales and trade receivable.

36.3 Key management personnel

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

	Year ended	
(in € thousand)	31 March 2018	31 March 2017
Short-term benefits	**8,710**	**6,188**
Fixed gross salaries (1)	4,319	4,063
Variable gross salaries (2)	3,368	2,125
Exceptional amounts (3)	1,023	-
Post-employment benefits (4)	**1,177**	**1,377**
Post-employment defined benefit plans	91	905
Post-employment defined contribution plans	1,023	247
Other post-employment benefits	63	225
Other benefits	**5,390**	**4,201**
Non monetary benefits	882	823
Employer social contributions	2,512	1,988
Share-based payments (5)	1,996	1,390
TOTAL	**15,277**	**11,766**

(1) Change is mainly linked to the evolution/modification of the composition of the Executive Committee.

(2) Evolution is mainly due to short term incentive for Executive Committee in connection with the performance of the Group.

(3) Conditional remunerations subject to the completion of the transaction with Siemens.

(4) The decrease is mainly linked to the closure of the defined benefit plans (Art 39) and the subsequent setting up of a defined contribution plan (Art 82).

(5) Increase of the share-based payments expenses mainly relate to the value of Alstom share on the Stock market.

NOTE 37. SUBSEQUENT EVENTS

On May 10th, 2018, Alstom signed an agreement with General Electric relating to the implementation of the agreements from 2015 regarding the intended exit of Alstom from the three Energy Joint Ventures. Alstom intends to exercise its options to sell its interests in the "Renewables" and "Grid" Joint Ventures in 2018 (pursuant to Alstom's put options as presented in Note 13.1). If these options are exercised during the exercise period (between September 4th and September 10th), GE will then be deemed to have exercised its option to acquire Alstom's interest in the "Nuclear" Joint Venture (pursuant to General Electric's call option), and the transfer of all interests will occur on 2 October 2018 for a total amount of €2.594 billion.

The Group has not identified any subsequent event to be reported other than the items already described above or in the previous notes.

NOTE 38. SCOPE OF CONSOLIDATION

PARENT COMPANY			
ALSTOM SA	France	-	Parent Company

Companies	Country	Ownership %	Consolidation Method
ALSTOM Algérie "Société par Actions"	Algeria	100	Full consolidation
ALSTOM Grid Algérie SPA	Algeria	100	Full consolidation
ALSTOM Argentina S.A.	Argentina	100	Full consolidation
ALSTOM Transport Australia Pty Limited	Australia	100	Full consolidation
NOMAD DIGITAL PTY LTD	Australia	100	Full consolidation
ALSTOM Transport Azerbaijan LLC	Azerbaijan	100	Full consolidation
ALSTOM Belgium SA	Belgium	100	Full consolidation
CABLIANCE BELGIUM	Belgium	100	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100	Full consolidation
ETE - EQUIPAMENTOS DE TRACAO ELETRICA LTDA	Brazil	100	Full consolidation
ALSTOM Transport Canada Inc.	Canada	100	Full consolidation
ALSTOM Chile S.A.	Chile	100	Full consolidation
ALSTOM (Guangdong) High Voltage Electric Co. Ltd	China	51	Full consolidation
ALSTOM Hong Kong Ltd	China	100	Full consolidation
ALSTOM Investment Company Limited	China	100	Full consolidation
ALSTOM Qingdao Railway Equipment Co Ltd	China	51	Full consolidation
SHANGHAI ALSTOM Transport Electrical Equipment Company Ltd	China	60	Full consolidation
XI'AN ALSTOM YONGJI ELECTRIC EQUIPMENT CO., LTD	China	51	Full consolidation
ALSTOM Transport Danmark A/S	Denmark	100	Full consolidation
NOMAD DIGITAL APS	Denmark	100	Full consolidation
NOMAD DIGITAL (DENMARK) APS	Denmark	100	Full consolidation
ALSTOM Egypt for Transport Projects SAE	Egypt	99	Full consolidation
AREVA INTERNATIONAL EGYPT FOR ELECTRICITY TRANSMISSION & DISTRIBUTION	Egypt	100	Full consolidation
ALSTOM Transport Finland Oy	Finland	100	Full consolidation
ALSTOM Executive Management	France	100	Full consolidation
ALSTOM Holdings	France	100	Full consolidation
ALSTOM Kleber Sixteen	France	100	Full consolidation
ALSTOM Leroux Naval	France	100	Full consolidation
ALSTOM Network Transport	France	100	Full consolidation
Omega 1	France	100	Full consolidation
ALSTOM Sextant 10	France	100	Full consolidation
ALSTOM Sextant 13	France	100	Full consolidation
ALSTOM Transport SA	France	100	Full consolidation
ALSTOM Transport Technologies	France	100	Full consolidation
CENTRE D'ESSAIS FERROVIAIRES	France	92	Full consolidation
CHANTIERS DE L'ATLANTIQUE	France	100	Full consolidation
ETOILE KLEBER	France	100	Full consolidation
INTERINFRA (COMPAGNIE INTERNATIONALE POUR LE DEVELOPPEMENT D'INFRASTRUCTURES)	France	50	Full consolidation
LORELEC	France	100	Full consolidation
ALSTOM Lokomotiven Service GmbH	Germany	100	Full consolidation
ALSTOM Transport Deutschland GmbH	Germany	100	Full consolidation
NOMAD DIGITAL GMBH	Germany	100	Full consolidation
VGT VORBEREITUNGSGESELLSCHAFT TRANSPORTTECHNIK GMBH	Germany	100	Full consolidation
ALSTOM Network UK Ltd	Great Britain	100	Full consolidation
ALSTOM NL Service Provision Limited	Great Britain	100	Full consolidation
ALSTOM Academy for rail	Great Britain	100	Full consolidation
ALSTOM Transport	Great Britain	100	Full consolidation
ALSTOM Transport Service Ltd	Great Britain	100	Full consolidation
ALSTOM Transport UK (Holdings) Ltd	Great Britain	100	Full consolidation
ALSTOM Transport UK Limited	Great Britain	100	Full consolidation
ALSTOM Transportation Projects International Ltd	Great Britain	100	Full consolidation
NOMAD DIGITAL (INDIA) LIMITED	Great Britain	70	Full consolidation
NOMAD DIGITAL LIMITED	Great Britain	100	Full consolidation
NOMAD DIGITAL NETWORKS UK LIMITED	Great Britain	100	Full consolidation
NOMAD HOLDINGS LIMITED	Great Britain	100	Full consolidation
NOMAD SOLUTIONS UK LIMITED	Great Britain	100	Full consolidation
NOMAD SPECTRUM LIMITED	Great Britain	100	Full consolidation
NOMAD WEST COAST LIMITED	Great Britain	100	Full consolidation
SIGNALLING SOLUTIONS LIMITED	Great Britain	100	Full consolidation
WASHWOOD HEATH TRAINS LTD	Great Britain	100	Full consolidation
WEST COAST SERVICE PROVISION LIMITED	Great Britain	100	Full consolidation
WEST COAST TRAINCARE LIMITED	Great Britain	100	Full consolidation
ALSTOM Transport Hellas AE	Greece	100	Full consolidation
J&P AVAX SA - ETETH SA - ALSTOM TRANSPORT SA	Greece	34	Full consolidation
ALSTOM Transport Hungary Zrt.	Hungary	100	Full consolidation
ALSTOM Manufacturing India Private Limited	India	100	Full consolidation
ALSTOM Systems India Private Limited	India	95	Full consolidation
ALSTOM Transport India Limited	India	100	Full consolidation
MADHEPURA ELECTRIC LOCOMOTIVE PRIVATE LIMITED	India	74	Full consolidation
NOMAD DIGITAL (INDIA) PRIVATE LIMITED	India	70	Full consolidation
PT ALSTOM Transport Indonesia	Indonesia	67	Full consolidation
ALSTOM Khadamat S.A.	Iran	100	Full consolidation
ALSTOM Transport Ireland Ltd	Ireland	100	Full consolidation
CITADIS ISRAEL	Israel	100	Full consolidation
ALSTOM Ferroviaria S.p.A.	Italy	100	Full consolidation
ALSTOM Services Italia S.p.A.	Italy	100	Full consolidation
ALSTOM S.p.A.	Italy	100	Full consolidation
ALSTOM Kazakhstan LLP	Kazakhstan	100	Full consolidation
ALSTOM Transport (Malaysia) Sdn Bhd	Malaysia	50	Full consolidation
ALSTOM Transport Mexico, S.A. de C.V.	Mexico	100	Full consolidation
ALSTOM CABLIANCE	Morocco	100	Full consolidation
ALSTOM Transport Maroc SA	Morocco	100	Full consolidation
ALSTOM Transport BV	Netherlands	100	Full consolidation
ALSTOM Transport China Holding BV	Netherlands	100	Full consolidation
ALSTOM Transport Holdings B.V.	Netherlands	100	Full consolidation
ALSTOM Transport Investment BV	Netherlands	100	Full consolidation
New ALSTOM Holdings B.V.	Netherlands	100	Full consolidation
NOMAD DIGITAL B.V.	Netherlands	100	Full consolidation
AT NIGERIA LIMITED	Nigeria	100	Full consolidation
ALSTOM Transport Norway AS	Norway	100	Full consolidation
ALSTOM Panama, S.A.	Panama	100	Full consolidation
ALSTOM Transport Peru S.A.	Peru	100	Full consolidation
ALSTOM Transport Construction Philippines, Inc	Philippines	100	Full consolidation
ALSTOM Konstal Spolka Akcyjna	Poland	100	Full consolidation
ALSTOM Pyskowice Sp. z o.o.	Poland	100	Full consolidation
ALSTOM Transporte Portugal Unipessoal Lda	Portugal	100	Full consolidation

NOMAD TECH, LDA.	Portugal	51	Full consolidation
ALSTOM Transport SA (Romania)	Romania	93	Full consolidation
ALSTOM Transport Rus LLC	Russian Federation	100	Full consolidation
ALSTOM Saudi Arabia Limited	Saudi Arabia	100	Full consolidation
ALSTOM Transport (S) Pte Ltd	Singapore	100	Full consolidation
ALSTOM Southern Africa Holdings (Pty) Ltd	South Africa	100	Full consolidation
ALSTOM Transport Holdings SA (Pty) Ltd	South Africa	100	Full consolidation
ALSTOM Ubunye (Pty) Ltd	South Africa	51	Full consolidation
GIBELA RAIL TRANSPORT CONSORTIUM (PTY) LTD	South Africa	61	Full consolidation
ALSTOM Korea Transport Ltd	South Korea	100	Full consolidation
ALSTOM Espana IB, S.L.	Spain	100	Full consolidation
ALSTOM Transporte, S.A.	Spain	100	Full consolidation
APLICACIONES TECNICAS INDUSTRIALES, S.A.	Spain	100	Full consolidation
ALSTOM Transport AB	Sweden	100	Full consolidation
ALSTOM Transport Information Systems AB	Sweden	100	Full consolidation
MOTALA TRAIN AB	Sweden	100	Full consolidation
ALSTOM Network Schweiz AG	Switzerland	100	Full consolidation
ALSTOM Schienenfahrzeuge AG	Switzerland	100	Full consolidation
ALSTOM Transport (Thailand) Co., Ltd.	Thailand	100	Full consolidation
ALSTOM T&T Ltd	Trinidad and Tobago	100	Full consolidation
ALSTOM Ulasim Anonim Sirketi	Turkey	100	Full consolidation
ALSKAW LLC	USA	100	Full consolidation
ALSTOM Transport Holding US Inc.	USA	100	Full consolidation
ALSTOM Transportation Inc.	USA	100	Full consolidation
ALSTOM Signaling Inc.	USA	100	Full consolidation
ALSTOM Signaling Operation, LLC	USA	100	Full consolidation
NOMAD DIGITAL, INC	USA	100	Full consolidation
ALSTOM Venezuela, S.A.	Venezuela	100	Full consolidation
ALSTOM Transport Vietnam Ltd	Vietnam	100	Full consolidation

ALSOMA G.E.I.E.	France	55	Joint Operation
METROLAB	France	50	Joint Operation
THE ATC JOINT VENTURE	Great Britain	37	Joint Operation
IRVIA MANTENIMIENTO FERROVIARIO, S.A.	Spain	51	Joint Operation

CITAL	Algeria	49	Equity Method
CASCO SIGNAL LTD	China	49	Equity Method
SHANGHAI ALSTOM Transport Company Limited	China	40	Equity Method
TRANSLOHR INDUSTRIAL (TIANJIN) CO. LTD	China	56	Equity Method
NEWTL	France	51	Equity Method
NTL HOLDING	France	51	Equity Method
SPEEDINNOV	France	65	Equity Method
TRANSLOHR SAS	France	51	Equity Method
ABC ELECTRIFICATION LTD	Great Britain	33	Equity Method
ELECTROVOZ KHURASTYRU ZAUYTY LLP	Kazakhstan	58	Equity Method
LLP JV KAZELEKTROPRIVOD	Kazakhstan	50	Equity Method
RAILCOMP BV	Netherlands	67	Equity Method
THE BREAKERS INVESTMENTS B.V.	Netherlands	33	Equity Method
TMH-ALSTOM BV	Netherlands	67	Equity Method
DEMIKHOVSKY MASHINOSTROITELNY ZAVOD OAO	Russian Federation	33	Equity Method
IVSK OOO	Russian Federation	20	Equity Method
KMT LOMONOSOVSKIY OPITNY ZAVOD PF OAO	Russian Federation	10	Equity Method
KMT UPRAVLYAUSHCHAYA KOMPANIYA ZAO	Russian Federation	14	Equity Method
KOLOMENSKY ZAVOD OAO	Russian Federation	28	Equity Method
MASHCONSULTING ZAO	Russian Federation	33	Equity Method
METROVAGONMASH OAO	Russian Federation	25	Equity Method
OKTYABRSKY ELEKTROVAGONOREMONTNY ZAVOD OAO	Russian Federation	25	Equity Method
OVK TMH ZAO	Russian Federation	33	Equity Method
PENZADIESELMASH OAO	Russian Federation	33	Equity Method
PO BEZHITSKAYA STAL OAO	Russian Federation	20	Equity Method
PROIZVODSTVENNAYA FIRMA KMT LOMONOSOVSKY PILOT PLANT	Russian Federation	3	Equity Method
RAILCOMP LLC	Russian Federation	67	Equity Method
ROSLOKOMOTIV ZAO	Russian Federation	33	Equity Method
RUSTRANSKOMPLEKT ZAO	Russian Federation	25	Equity Method
SAPFIR OOO	Russian Federation	33	Equity Method
TORGOVY DOM TMH ZAO	Russian Federation	33	Equity Method
TRAMRUS LLC	Russian Federation	67	Equity Method
TRANSMASH OAO	Russian Federation	19	Equity Method
TRANSMASHHOLDING ZAO	Russian Federation	33	Equity Method
TRTrans LLC	Russian Federation	67	Equity Method
TVERSKOY VAGONOSTROITELNY ZAVOD INVEST OOO	Russian Federation	8	Equity Method
TVERSKOY VAGONOSTROITELNY ZAVOD OAO	Russian Federation	17	Equity Method
UPRAVLYAUSCHAYA KOMPANIYA BRYANSKY MASHINOSTROITELNY ZAVOD ZAO	Russian Federation	33	Equity Method
VSEROSSIYSKY NAUCHNO-ISSLEDOVATELSKY I PROEKTNO-KONSTRUKTORSKY INSTITUT ELEKTROVOZOSTROENIYA OAO	Russian Federation	21	Equity Method
ZENTROSVARMASH OAO	Russian Federation	33	Equity Method
LUGANSKTEPLOVOZ OAO	Ukraine	25	Equity Method

RTA RAIL TEC ARSENAL FAHRZEUGVERSUCHSANLAGE GMBH	Austria	15	Non consolidated investment
MOBILIEGE	Belgium	15	Non consolidated investment
ISLAND CAPITAL LTD	Bermuda	1	Non consolidated investment
CADEMCE SAS	France	16	Non consolidated investment
COMPAGNIE INTERNATIONALE DE MAINTENANCE - C.I.M.	France	1	Non consolidated investment
EASYMILE	France	16	Non consolidated investment
ENTREPRISES-HABITAT IMMOBILIER	France	0	Non consolidated investment
ESPACE DOMICILE SA HABITAT LOYER MODERE	France	1	Non consolidated investment
FRAMECA - FRANCE METRO CARACAS	France	19	Non consolidated investment
MOBILITE AGGLOMERATION REMOISE SAS	France	17	Non consolidated investment
OC'VIA	France	2	Non consolidated investment
OC'VIA CONSTRUCTION	France	12	Non consolidated investment
OC'VIA MAINTENANCE	France	12	Non consolidated investment
RESTAURINTER	France	35	Non consolidated investment
SOCIETE FRANCAISE D'EXPORTATION DE SYSTEMES AVANCES	France	1	Non consolidated investment
SOCIETE IMMOBILIERE DE VIERZON	France	1	Non consolidated investment
IFB INSTITUT FUR BAHNTECHNIK GMBH	Germany	7	Non consolidated investment
TRAMLINK NOTTINGHAM (HOLDINGS) LTD	Great Britain	13	Non consolidated investment
PARS SWITCH	Iran	1	Non consolidated investment

METRO 5 SPA	Italy	9	Non consolidated investment
S.A.T. SISTEMA AUTOMATICO DI TRASPORTO S.R.L.	Italy	20	Non consolidated investment
T.P.B. TRASPORTI PUBBLICI DELLA BRIANZA S.p.A. (in bankruptcy)	Italy	30	Non consolidated investment
TRAM DI FIRENZE S.p.A.	Italy	10	Non consolidated investment
VAL 208 TORINO GEIE	Italy	50	Non consolidated investment
SUBURBANO EXPRESS, S.A. DE C.V.	Mexico	11	Non consolidated investment
IDEON S.A.	Poland	0	Non consolidated investment
INVESTSTAR S.A.	Poland	0	Non consolidated investment
KOLMEX SA	Poland	2	Non consolidated investment
ALBALI SEÑALIZACIÓN, S.A.	Spain	12	Non consolidated investment
TRAMVIA METROPOLITA DEL BESOS SA	Spain	21	Non consolidated investment
TRAMVIA METROPOLITA, S.A.	Spain	24	Non consolidated investment

Energy Alliances	Country	Ownership %	Consolidation Method
GEAST	France	20	Equity Method
GE GRID ALLIANCE BV	Netherlands	50	Equity Method
GE Renewable Holding BV	Netherlands	50	Equity Method
ALSTOM Renewable US, LLC	USA	45	Equity Method
GRID ALLIANCE US HOLDINGS INC	USA	91	Equity Method
GRID SOLUTIONS (U.S.) LLC	USA	30	Equity Method
RENEWABLES ALLIANCE US HOLDINGS INC	USA	91	Equity Method

Subsidiaries of Nuclear Alliance included in combinated finacial statement	Country	Ownership %	Consolidation Method
ALSTOM Power Conversion	France	20	Equity Method
ALSTOM Power Service	France	20	Equity Method
ALSTOM Power Systems	France	20	Equity Method
PROTEA	France	20	Equity Method
ALSTOM Atomenergomash	Russian Federation	10	Equity Method