# Annual financial report

As of 31 March 2021

ALSTOM

**Management report on consolidated financial statements,**

**As of 31 March 2021**

## 1. Main events of year ended 31 March 2021

### 1.1 The acquisition of Bombardier Transportation

**Status**

On 1 December 2020, Alstom and Bombardier announced that all necessary regulatory approvals required to complete the sale of Bombardier Transportation to Alstom had been received.

On 29 January 2021, Alstom announced the completion of the acquisition of Bombardier Transportation. Leveraging on its clear Alstom in Motion strategy and its strong operational fundamentals and financial trajectory, Alstom, integrating Bombardier Transportation, will strengthen its leadership in the growing sustainable mobility market by reaching a critical size in all geographies and integrating further solutions and assets to better serve its customers worldwide.

The enlarged Group has a combined proforma revenue for the 12 months period April 2020 to March 2021 of around €14.0 billion. Combined 12 months proforma net result amounts to €(0.8) billion, resulting mainly from Bombardier Transportation's pre-integration recognition of negative impacts from revised estimates on projects. The enlarged Group has a backlog of €74.5 billion. It employs 71.700 people worldwide in 70 countries, has unparalleled R&D capabilities and a complete portfolio of products and solutions.

**Price and financing**

The reference price was established at €5.5 billion, at the bottom of the range of €5.5 billion to €5.9 billion communicated on 16 September 2020. The proceeds for the acquisition were established at €4.4 billion, which include the impact of the minimum cash adjustment mechanism based on a negative net cash position of Bombardier Transportation as of 31 December 2020 and other further contractual adjustments for an amount of €1.1 billion.

Alstom also proceeded, on 29 January 2021, to the reimbursement of the € 0.75 billion Equity injections performed by CDPQ (Caisse de dépôt et placement du Québec) and Bombardier Inc. between February 2020 and January 2021.

The financing structure of the purchase price was as follows:

As determined in the Sale and Purchase Agreement (SPA), a significant part of the purchase price, for a global amount of €3.1 billion, was paid in Equity through reserved share capital increases by way of set-off subscribed by:

- CDPQ's affiliate, CDP Investissements Inc, with two capital increases, one of €1.9 billion with 47,469,213 new ordinary shares issued and one of €0.7 billion with 17,210,934 new ordinary shares issued;
- Bombardier UK for an amount of €500 million with 11,504,149 new ordinary shares issued.

The remaining part of the purchase price for an amount of € 2.0 billion was paid in cash. It was financed thanks to the rights issue for an amount of around €2 billion completed on 7 December 2020 with 68,078,055 new ordinary shares issued.

The contractual purchase price was calculated in euros. A portion of it was paid to Bombardier UK in US dollars at an agreed exchange rate EUR/USD of circa 1/1.17, this payment in US dollars having been hedged by Alstom. The effective portion of the hedging has been recorded in goodwill for €(64) million, the ineffective part in the financial result for €(19) million (see Note 7).

**Next steps**

Alstom will pursue and finalize sales of certain assets of the combined Group in line with the commitments described in the European Commission's press release on July 31st, 2020 and classified as Assets Held for Sale (see note 9):

- a transfer of Bombardier Transportation's contribution to the V300 ZEFIRO very high-speed train and an offer of IP licence to Hitachi for the train co-developed by Hitachi and Bombardier Transportation for use in future very high-speed tenders in the UK;
- the divestment of the Alstom Coradia Polyvalent and the Reichshoffen production site in France;
- the divestment of the Bombardier TALENT 3 platform and dedicated production facilities located within the Hennigsdorf site in Germany.

The commitments concerning Bombardier Transportation's Signalling On-Board Units and Train Control Management Systems (TCMS) have already been started to be implemented.

The divestitures will comply with all applicable social processes and consultations with employee representatives' bodies.

### 1.2 Shareholdership and stock market index

The Steering Committee of the Euronext Indices has decided to include Alstom in the list of the 40 stocks making up the French CAC40 index. This inclusion is effective since Monday 21 September 2020.

CDPQ is now the main shareholder with 17.48% of Alstom's share capital. Bouygues holds 3,12% of the capital of the group with successful placements in November 2020 and March 2021.

### 1.3 Key figures for Alstom in the fiscal year 2020/21

Group's key performance indicators for the fiscal year 2020/21:

| *(in € million)* | Year ended 31 March 2021 | Thereof impact of BT acquisition | Year ended 31 March 2020 | % Variation Mar. 21/ Mar. 20 Actual | Organic |
|---|---|---|---|---|---|
| Orders Received | 9,100 | 664 | 9,900 | (8%) | (14%) |
| Orders Backlog | 74,537 | 31,996 | 40,903 | 82% | 2% |
| Sales | 8,785 | 1,125 | 8,201 | 7% | (4%) |
| aEBIT | 645 | 31 | 630 | 2% | |
| *aEBIT %* | *7.3%* | *2.7%* | *7.7%* | | |
| EBIT | 300 | (48) | 545 | | |
| Adjusted Net Profit* | 301 | (9) | 457 | | |
| Net Profit - Group share** | 247 | (60) | 467 | | |
| Free Cash Flow | (703) | (751) | 206 | | |
| Capital Employed | 11,229 | | 2,424 | | |
| Net Cash/(Debt) | (899) | | 1,178 | | |
| Equity | 9,117 | | 3,328 | | |

**Based on Net profit from continuing operations, excluding amortisation expenses of the purchase price allocation of Bombardier Transportation, net of corresponding tax*

***Incl. Net profit from discontinued operations and excl. non-controlling interests*

## 1.4 Covid-19 pandemic

The Alstom Group does business in numerous countries that have significantly been affected by the Covid-19 pandemic. As a result, the Group's operations have been impacted by lockdowns and the disturbance resulting from government measures to address the Covid-19 pandemic. Such measures affected our supply chain and overall production chains, impacting the timing of several projects. The Sanitary Crisis also impacted tendering momentum in the first quarters of 2020, with a shift in commercial activity.

In this context, after implementing the necessary health and safety measures to protect all of its employees and stakeholders, the Group made every effort to ensure the agile and responsible execution of its activities in each of the countries where it operates by swiftly adapting to changes linked to the public health crisis situation and complying with local government decisions. Our business activities showed good resilience, and, in the second semester, to the exception of a moderate impact on the service activity, operations were running at a pace in line with the pre-existing Covid-19 crisis conditions. Commercial performance was also very positive in the last quarter of the financial year, pointing to solid market momentum.

While the first initiative was to ensure the health and safety of its employees to ensure continuity of project execution, the Group implemented a company-wide cost saving program to significantly reduce costs. Alstom adapted the ways of working of its employees and limited non-essential travels and events. The Group also promoted salary moderation and kept a tight control over additional recruitments. The company has re-assessed investment priorities to rationalise cash spend while ensuring that R&D investments remained at the level that was deemed required to deliver on the Alstom in Motion strategy roadmap. In the context of the Covid-19 crisis, and in a spirit of responsibility towards all its stakeholders, the Board of Directors, in its meeting of May 11, 2020, decided as an exceptional measure not to propose a dividend distribution at the next Shareholders' meeting on July 8, 2020

The Group was principally affected by the Covid-19 pandemic in the first quarter of its fiscal year 2020/21, with identified incremental costs incurred amounting up to €68 million and stemming both from inefficiencies and expenses dedicating specifically to Covid-19 crisis. Inefficiencies are costs induced by the inability of certain employees to come to the workplace in the wake of lockdowns and dedicated costs are mainly related to cleaning and purchase of protective equipment to protect our employees from the virus.

The impact of the Covid-19 pandemic on the Group's operations affect the whole income statement and balance sheet and not just individual line items.

**Estimated profit (loss) on completion of contracts accounted for on a percentage of completion basis**

Covid-19 related inefficiencies and dedicated costs are not included in the percentage of completion formula of the project and have not generated revenue. They have been recognized in the primary statement of the income statement under the caption Cost of sales.

**Impairment of assets**

Impairment tests have been performed on goodwill (see Note 11), tangible assets, intangible assets and deferred taxes (see Note 8) with no impairment risks identified as of end of March 2021. The events linked to Covid-19 led the Group to draw up business plan used for the impairment test performed in the frame of the preparation of the Group's consolidated financial statements, based on its best reasonable estimates and the visibility available for its operations at 31 March 2021. Moreover, some sensitivity analysis were performed with regards to the key assumptions that would not lead to an impairment loss of goodwill as the recoverable amount still exceeds its carrying value.

**Liquidity and balance sheet position**

At March 31, 2021, the Group has a total liquidity of around € 4,500 million, including cash and cash equivalent and undrawn available credit lines. The Group has enough liquidity to fund its operations going forward.

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**Government grants**

Where applicable, grants for the various furlough and short time working schemes established by the country where the Group operates were recognized as a deduction from personnel costs.

**Risk and uncertainties**

The crisis did not reveal new risk factors for the Group.

## 1.5 Organic growth

The above-mentioned key figures are adjusted as follows for foreign exchange variation, resulting from the translation of the original currency to Euro, as well as for change in consolidation scope.

The below table isolates the contribution of entities acquired during the current year and shows how the prior year actual figures are converted into a like-for-like set of numbers for comparison purposes:

| | Year ended 31 March 2021 | | | Year ended 31 March 2020 | | | Mar. 21/ Mar. 20 | |
|---|---|---|---|---|---|---|---|---|
| *(in € million)* | Actual figures | Thereof impact of acquisitions | Comparable Figures | Actual figures | Exchange rate | Comparable Figures | % Var Act. | % Var Org. |
| Orders Backlog | 74,537 | 31,996 | 42,541 | 40,903 | 791 | 41,694 | 82% | 2% |
| Orders Received | 9,100 | 664 | 8,436 | 9,900 | (71) | 9,829 | (8%) | (14%) |
| Sales | 8,785 | 1,125 | 7,660 | 8,201 | (192) | 8,009 | 7% | (4%) |

The actual figures for the fiscal year 2019/20 (orders backlog, orders received and sales) are restated to reflect March 2021 exchange rates.

- Orders backlog were impacted by the appreciation of the South African Rand (ZAR), the Australian Dollar (AUD) and the Canadian Dollar (CAD) against the Euro (EUR), and by the depreciation of the Indian Rupee (INR), and the US Dollar (USD) against the Euro (EUR).
- Orders received were marginally impacted by foreign exchange variations, and mostly driven by the depreciation of the Chilean Peso (CLP) and the British Pound (GBP) against the Euro (EUR).
- Sales were adversely impacted mainly by the depreciation of the US Dollar (USD), the UAE Dirham (AED) and the Indian Rupee (INR) against the Euro (EUR).

## 1.6 Acquisitions and partnerships

**SpeedInnov**

Through its affiliate SpeedInnov, a joint-venture created in 2015 with ADEME, Alstom focused on its 'Very high-speed train of the future' project, aiming to promote a new generation of very high-speed trainset which will reduce acquisition and operating costs by at least 20% (compared to the previous train generation), optimise the environmental footprint and broaden commercial offer to improve passenger experience. In this context, Alstom subscribed to a capital increase in this joint-venture in an amount of €27 million in June 2020, increasing its stake from 71.0% to 74.0% with no change in the consolidation method (Joint control).

**IBRE Acquisition**

On 30 June 2020, Alstom acquired the totality of IBRE (International Braking & Railway Equipment) shares, a company based in France and renamed "Alstom IBRE". This company is specialized in the development, the manufacturing and the supply of railway brake discs. Their reliable high-quality products are recognized by the most important European railway administrations. The entity is fully consolidated in the Group's accounts.

Preliminary Goodwill amounts to €8 million. The purchase price allocation is not fully completed and will be finalized within twelve months after the acquisition date. The sales of the period are not material.

**B&C Transit Inc. Acquisition**

On 1 March 2021, Alstom acquired the totality of B&C Transit's shares. This transit engineering design and construction firm is specialised in the passenger rail sector and operates in the United States and Canada.

Preliminary Goodwill amounts to €27 million. The purchase price allocation is not fully completed and will be finalized within twelve months after the acquisition date. The sales of the period are not material.

**RSB BV Acquisition**

On 31 March 2021, Alstom acquired the totality of RSB BV's shares. This Rotterdam-based company provides services in maintenance of rolling stock for freight and passenger transport in the Netherlands.

Preliminary Goodwill amounts to €8 million. The purchase price allocation is not fully completed and will be finalized within twelve months after the acquisition date. The company did not contribute to the sales of the period.

## 2. Commercial performance

Alstom's order intake amounted to €9.1 billion during the fiscal year 2020/21, of which €8.4 billion contributed by Alstom on a like-for-like stand-alone basis and €0.7 billion contributed from the Bombardier Transportation acquisition in the 2 months period of February and March 2021. The Group's orders decreased year-over-year, mainly due to an adverse market environment impacted by Covid-19.

| **Geographic breakdown** | | | | | **% Variation Mar. 21/ Mar. 20** | |
|---|---|---|---|---|---|---|
| **Actual figures** *(in € million)* | **Year ended 31 March 2021** | % of contrib | **Year ended 31 March 2020** | % of contrib | **Actual** | **Organic** |
| Europe | 6,027 | 66% | 7,624 | 77% | (21%) | (25%) |
| Americas | 1,050 | 11% | 646 | 6% | 63% | 73% |
| Asia/Pacific | 1,059 | 12% | 1,569 | 16% | (33%) | (53%) |
| Africa/Middle East/Central Asia | 964 | 11% | 61 | 1% | 1480% | 1443% |
| **ORDERS BY DESTINATION** | **9,100** | **100%** | **9,900** | **100%** | **(8%)** | **(14%)** |

| **Product breakdown** | | | | | **% Variation Mar. 21/ Mar. 20** | |
|---|---|---|---|---|---|---|
| **Actual figures** *(in € million)* | **Year ended 31 March 2021** | % of contrib | **Year ended 31 March 2020** | % of contrib | **Actual** | **Organic** |
| Rolling stock | 4,484 | 49% | 4,591 | 46% | (2%) | (12%) |
| Services | 2,045 | 23% | 3,315 | 34% | (38%) | (41%) |
| Systems | 930 | 10% | 265 | 3% | 251% | 244% |
| Signalling | 1,641 | 18% | 1,729 | 17% | (5%) | (9%) |
| **ORDERS BY DESTINATION** | **9,100** | **100%** | **9,900** | **100%** | **(8%)** | **(14%)** |

In **Europe**, Alstom recorded €6.0 billion order intake during the fiscal year 2020/21, as compared to €7.6 billion over the same period last year, including a €0.3 billion contribution from Bombardier Transportation acquisition.

In Spain, Alstom won a significant contract to provide Renfe, the Spanish national railway operator, with 152 high-capacity trains for a total amount of more than €1.4 billion. The trains will come from Alstom's X'Trapolis$^{TM}$ range of suburban trains. The contract also includes the maintenance of 56 of the trains for a period of 15 years and the supply of parts for the fleet, as well as the initial stock of spare parts and their tooling.

In France, Alstom signed a large contract to design, build and maintain the transport system for Toulouse Metropole's third metro line, an order to supply 49 tramways for Nantes, and a Signalling contract of the ARGOS partnership with SNCF to develop the new generation interlocking solution. In addition, Alstom witnessed a historic step towards sustainable mobility by winning the first order of hydrogen trains in France. The Group will supply the first 12 dual mode electric-hydrogen trains (plus two optional trainsets) in the Coradia™ Polyvalent range for Régiolis, to SNCF Voyageurs.

In Germany, Alstom was selected to supply 34 Coradia™ Stream High Capacity double-decker EMU trains for regional transport in Lower Saxony to Landesnahverkehrsgesellschaft Niedersachsen (LNVG). Further to the delivery of the trains, the contract with a total value of €0.8 billion also includes the maintenance of the vehicles for 30 years. In addition, the Cologne Public Transport Authority (Kölner Verkehrs-Betriebe AG, KVB) signed a contract with the manufacturer consortium Alstom and Kiepe Electric for the supply of 64 low-floor trams.

In Romania, the Group was awarded a contract to provide a total of up to 30 Metropolis trains for the Line 5 of Bucharest metro.

Last year's performance in Europe was driven by large orders including additional Coradia™ Polyvalent and Avelia™ Euroduplex trains in France, Pendolino™ high-speed trains including maintenance service and Smart Coradia™ POP regional trains in Italy, and Coradia™ iLint trains and associated maintenance in Germany.

In **Americas**, Alstom reported €1.1 billion order intake during the fiscal year 2020/21, as compared to €0.6 billion last year, mainly driven by the initial order from Metra, the commuter rail system in the Chicago metropolitan area serving the city of Chicago and surrounding suburbs, to supply 200 push-pull commuter rail cars. In addition, the Group continues to stabilise its footprint in Latin America for Services products, by securing the renewal of a full maintenance contract for 158 locomotives of Ferrosur fleet in Mexico.

In **Asia/Pacific**, the order intake totalled €1.1 billion, as compared to €1.6 billion over the same period in the last fiscal year. The acquisition of Bombardier Transportation contributed €0.3 billion while further strengthening the Group's footprint in India, with a €0.2 billion awarded contract to design, manufacture, supply, test and commission 234 metro cars, including personnel training for Mumbai Line 4 and the extension corridor. In addition, Alstom was awarded a major signalling & telecommunication systems contract for rapid rail line between Delhi and Meerut. The Group also secured the extension project of Taipei Metro Line 7 in Taiwan.

Last year's performance in Asia/Pacific was driven by the large contract to manufacture and maintain the next generation of C-series trains for Perth's rail network, and a contract to supply driverless trains and digital signalling system for Sydney Metro extension.

In **Africa/Middle East/Central Asia**, the Group reported €1.0 billion order intake, as compared to €0.1 billion over the same period of the last fiscal year, mainly thanks to the securing of rolling stock and maintenance follow-on orders of currently active projects.

Alstom received the following major orders during the fiscal year 2020/21:

| Country | Product | Description |
|---|---|---|
| France | Rolling stock | Supply of 49 Citadis X05$^{TM}$ trains to Nantes Métropole |
| France | Signalling | Supply of a new generation interlocking solution for SNCF |
| France | Systems | Design, production and maintenance of the transport system for Toulouse Metropole's third metro line |
| France | Rolling stock | Supply of the first 12 dual mode electric-hydrogen trains (plus two optional trainsets) in the Coradia$^{TM}$ Polyvalent range for Régiolis to SNCF Voyageurs |
| Germany | Rolling stock / Services | Supply of 34 Coradia Stream$^{TM}$ High Capacity double-decker EMU trains to Landesnahverkehrsgesellschaft Niedersachsen (LNVG) and associated maintenance for 30 years |
| Germany | Rolling stock | Supply of 64 low-floor trams to the Cologne Public Transport Authority (Kölner Verkehrs-Betriebe AG, KVB) – in a consortium with Kiepe Electric |
| India | Rolling stock | Supply of 234 metro cars for Mumbai Metro Lines 4 & 4A |
| India | Signalling | Supply of signalling & telecommunication systems for rapid rail line between Delhi and Meerut |
| Romania | Rolling stock | Supply of a total of up to 30 new Metropolis trains for Bucharest Metro Line 5 |
| Spain | Rolling stock / Services | Supply of 152 high-capacity X'Trapolis commuter trains for Spanish operator Renfe and the maintenance of 56 of the trains for 15 years |
| Taiwan | Systems | Supply of integrated metro system for Taipei Metro Line 7 extension |
| United States | Rolling stock | Supply of 200 push-pull commuter rail cars to Metra, the commuter rail system in the Chicago metropolitan area |

## 3. Orders backlog

As of 31 March 2021, the orders backlog stood at €74.5 billion, providing the Group with strong visibility over future sales. This represents an increase of 82% on an actual basis, including the impact from the Bombardier Transportation acquisition, and a 2% increase on an organic basis as compared to 31 March 2020.

**Geographic breakdown**

| **Actual figures** *(in € million)* | **Year ended 31 March 2021** | % of contrib | **Year ended 31 March 2020** | % of contrib |
|---|---|---|---|---|
| Europe | 40,804 | 55% | 21,321 | 52% |
| Americas | 10,491 | 14% | 5,539 | 14% |
| Asia/Pacific | 11,209 | 15% | 6,120 | 15% |
| Africa/Middle East/Central Asia | 12,033 | 16% | 7,923 | 19% |
| **BACKLOG BY DESTINATION** | **74,537** | **100%** | **40,903** | **100%** |

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| Product breakdown<br>Actual figures<br>*(in € million)* | Year ended<br>31 March 2021 | % of contrib | Year ended<br>31 March 2020 | % of contrib |
|---|---|---|---|---|
| Rolling stock | 39,052 | 53% | 20,677 | 51% |
| Services | 24,737 | 33% | 13,794 | 33% |
| Systems | 4,692 | 6% | 2,288 | 6% |
| Signalling | 6,056 | 8% | 4,144 | 10% |
| **BACKLOG BY DESTINATION** | **74,537** | **100%** | **40,903** | **100%** |

# 4. Income statement

## 4.1 Sales

Alstom's sales amounted to €8.8 billion for the fiscal year 2020/21, increasing by 7% on an actual basis, including the impact of Bombardier Transportation acquisition. On a like-for-like basis, at constant scope and before the integration of Bombardier Transportation, Alstom stand-alone sales stood at €7.7 billion, down 4% organically compared to the same period of last year.

| Geographic breakdown<br>Actual figures<br>*(in € million)* | Year ended<br>31 March 2021 | % of contrib | Year ended<br>31 March 2020 | % of contrib | % Variation Mar. 21/ Mar. 20<br>Actual | Organic |
|---|---|---|---|---|---|---|
| Europe | 5,316 | 61% | 4,675 | 56% | 14% | (2%) |
| Americas | 1,351 | 15% | 1,280 | 16% | 6% | (2%) |
| Asia/Pacific | 1,093 | 12% | 889 | 11% | 23% | 9% |
| Africa/Middle East/Central Asia | 1,025 | 12% | 1,357 | 17% | (24%) | (25%) |
| **SALES BY DESTINATION** | **8,785** | **100%** | **8,201** | **100%** | **7%** | **(4%)** |

| Product breakdown<br>Actual figures<br>*(in € million)* | Year ended<br>31 March 2021 | % of contrib | Year ended<br>31 March 2020 | % of contrib | % Variation Mar. 21/ Mar. 20<br>Actual | Organic |
|---|---|---|---|---|---|---|
| Rolling stock | 4,530 | 51% | 3,942 | 48% | 15% | (1%) |
| Services | 1,745 | 20% | 1,469 | 18% | 19% | 2% |
| Systems | 947 | 11% | 1,301 | 16% | (27%) | (32%) |
| Signalling | 1,563 | 18% | 1,489 | 18% | 5% | 3% |
| **SALES BY DESTINATION** | **8,785** | **100%** | **8,201** | **100%** | **7%** | **(4%)** |

In **Europe**, sales reached €5.3 billion, accounting for 61% of the Group's total sales and representing an increase of 14% on an actual basis (down 2% on an organic basis). The main driver has been the continued execution of large rolling stock contracts, including the Coradia Stream™ trains in Italy and the Netherlands, the Coradia™ Polyvalent regional trains and the Avelia Euroduplex high-speed trains in France, the double deck M7-type multifunctional coaches in Belgium as well as the Coradia™ Lint™ trains in Germany. In addition, Alstom carried on with the maintenance of Pendolino™ in the United Kingdom, which generated further sales. The performance of the year includes a €0.7 billion contribution from Bombardier Transportation acquisition, mainly from Rolling Stock contracts in France, Germany and United Kingdom.

In **Americas**, sales stood at €1.4 billion for the fiscal year 2020/21, accounting for 15% of the Group's sales. The projects of Amtrak high-speed trains in the United States and the light metro system for REM in Canada remain the top sales contributors within the region.
In Latin America, sales were driven by the delivery of Guadalajara Line 3 metro system in Mexico, with an expected impact compared to last fiscal year from Panama L1/L2 systems contracts which reached completion.

Contribution from Bombardier Transportation acquisition amounts to a €0.2 billion, notably from Rolling stock contracts in Canada and Systems contracts in the United States.

In **Asia/Pacific**, sales amounted to €1.1 billion, accounting for 12% of the Group's sales. These sales were driven by the ramp-up of the production of electric locomotives in India, the continued execution of subway contract in Singapore, and further sustained by the production ramp-up for Hanoi metro Line 3 system in Vietnam. The performance of the year includes a €0.2 billion contribution from Bombardier Transportation acquisition, mainly from Systems contracts in Australia, Singapore and Thailand.

In **Africa/Middle East/Central Asia**, sales stood at €1.0 billion, contributing 12% to the Group's total sales, down €0.3 billion on an organic basis compared to last year. The Systems contract for the Dubai metro in the United Arab Emirates reached completion during the third quarter of the fiscal year and the Coradia™ Polyvalent trains project for Senegal reached completion at the end of last fiscal year, while the systems contract for the Riyadh metro in Saudi Arabia reached the final completion stage, generating an expected decrease in sales of the region comparing to last fiscal year. The ramp-up on the rolling stock contracts of the Prima™ freight locos for Kazakhstan and Morocco partly offsets this decline.

## 4.2 Research & development

During the fiscal year 2020/21, research and development gross costs amounted to €443 million, i.e. 5.0% of sales, reflecting the Group's continuous investments in innovation to develop smarter and greener mobility solutions, supporting Alstom In Motion strategy.

| *(in € million)* | **Year ended 31 March 2021** | **Year ended 31 March 2020** |
|---|---|---|
| R&D Gross costs | (443) | (442) |
| *R&D Gross costs (in % of Sales)* | *5.0%* | *5.4%* |
| Funding received | 91 | 117 |
| Net R&D spending | (352) | (325) |
| Development costs capitalised during the period | 106 | 79 |
| Amortisation expenses (*) | (72) | (56) |
| **R&D expenses (in P&L)** | **(318)** | **(302)** |
| *R&D expenses (in % of Sales)* | *3.6%* | *3.7%* |

**Incl. €(9)m of amortisation expenses of the purchase price allocation of Bombardier Transportation*

Alstom continued its research and development effort on the very high-speed trains **Avelia Horizon™** range, which is funded by the SpeedInnov joint-venture, marked by the first delivery for test on tracks on Amtrak project in the United States, while the French market version is under development.

In application of the Alstom In Motion strategy, the Group further invested in green solutions to offer zero carbon emission alternatives to diesel. The portfolio has been enlarged by BEMU battery powered trains solution in Germany, along with hydrogen fuel cell trains **Coradia iLint™**.

The Group also invested in **HealthHub™**, an innovative condition-monitoring solution used for trains, infrastructure and signalling assets. This solution builds upon advanced data analytics to predict assets remaining useful life. It is now positioned as a backbone for Rolling Stock and Infrastructures maintenance solutions.

With regards to Rolling Stock solutions, other notable programs include the

- **TRAXX** Multi-system 3 locomotives, which development started in 2018 to cover the European market. It has a high versatility to be able to run in different corridors and potentially to be upgraded up to 200km/hr
- **FLEXX** Compact Bogie 5th Generation, which will be active in the Regional and Mainline segments up to 250km/hr (e.g. mounted in ZEFIRO Express and AVENTRA)

For the signalling product line, the Group has continued the development of its ERTMS level 2 on-board solution, to equip the entire Norwegian railway fleet with **ATLAS™** on-board train control solution, as well as its CBTC solutions, **Urbalis Fluence™** and **Urbalis 400™** for metros and tramways, with the launch of Fluence Baseline 2 now addressing a worldwide market.

In addition, Alstom carried on investing into the **ICONIS™** suite for Operation Control Centers, allowing to maximize traffic fluidity and remotely orchestrate operations. Further developments have been achieved with the cyber security framework of Alstom solutions through a partnership with Airbus signed in 2017, including a new generation of interlocking solution deployed for the ARGOS partnership with SNCF signed in September 2020.

### 4.3 Operational performance

In the fiscal year 2020/21, Alstom's adjusted EBIT reached €645 million after integration of Bombardier Transportation, equivalent to a 7.3% operational margin, as compared to €630 million or 7.7% during same period of last year. On a like-for-like basis, at constant consolidation scope, Alstom stand-alone contribution was €614 million, representing 8.0% operational margin. In the 2 months period from February to March 2021, Bombardier Transportation contributed €31 million, equivalent to a 2.7% operational margin.

The adjusted EBIT was impacted by the Covid-19 related production slowdown, mostly in the first half of year, overall resuming its pace in the second half, while ensuring control over cost of sales across all product lines. Cost of sales at Alstom are primarily, but not only, made up of raw material procurement, applicative and system engineering, manufacturing and supply chain labour costs, as well as subcontracted services.

Selling and Administrative costs as a percentage of sales remained overall stable at Group level at 7.2%, confirming the Group's response to the sanitary crisis and its consequences on sales pace.

Over the period, the contribution resulting from the inclusion of the share in net income of the equity-accounted investments whose activity are considered as part of the operating activities of the Group amounted to €50 million, increasing from the €38 million reported last year. The contribution from CASCO Signal Limited joint-ventures amounted to €44m, whereas Bombardier Transportation joint-ventures contributed €6m.

### 4.4 From adjusted EBIT to adjusted net profit

During the fiscal year 2020/21, Alstom recorded restructuring and rationalization charges of €(14) million mainly linked to initiatives in France, Spain and in the United States.

Amortisation of assets exclusively valued when determining the purchase price allocation ("PPA") in the context of business combination amounted to €(84) million before tax, including €(71) million related to Bombardier Transportation and €(13) million related to other former business combinations and integration costs such as GE Signalling, EKZ and Nomad. Comparable PPA related to GE Signalling, EKZ and Nomad amounted to €(14)m at the end of last year.

Total Impairment loss and other non-operating items amounted to €(129) million, including mainly €(117) million of incremental costs related to Bombardier Transportation transaction (see Note 1.1), €47 million related to reversal of impairment (see Note 9); €(36) million related to E-Bus impairment of assets; €(21) million one-off exceptional impact from contract early termination decided by Alstom and €8 million related to some legal proceedings (see Note 33) and other risks, arisen outside the ordinary course of business.

Non-recurring costs during the period include notably the Covid-19 incremental costs and related inefficiencies (€68 million).

Taking into consideration restructuring, PPA, impairment loss, other non-operating items and Covid-19, Alstom EBIT stood at €300 million after the integration of Bombardier Transportation. This compares to €545 million during the same period last year, with the Covid-19 crisis slowing down most activities across the world.

Net financial expenses of the period amounted to €(68) million, as compared to €(76) million in the previous year. This is mainly due to a reduction of financing expenses incurred at the holding level following the repayment of bonds that matured during the previous fiscal year, despite additional bank fees paid as a result of measures taken to bolster the Group liquidity in the context of Bombardier Transportation acquisition and the Covid-19 pandemic.

The Group recorded an income tax charge of €(63) million in the fiscal year 2020/21 corresponding to an effective tax rate of 27%, compared to €(118) million for the same period last year and an effective tax rate of 25%.

The share in net income from equity investments amounted to €83 million, with the improved performance of CASCO Signal Limited joint-ventures covering partially the reduced contribution from Transmashholding Limited (TMH) and SpeedInnov Joint Venture. The contribution of Bombardier Transportation Joint Ventures amounted to €6 million.

The Group's net profit from continued operations stood at €252 million, compared to € 453 million for the comparable period last year.

Net profit attributable to non-controlling interest totalled €12 million, compared to € 7 million last year.

Adjusted net profit, representing group share of net profit from continued operations excluding €(61) million PPA (€(84) million net of the corresponding tax effect at effective tax rate of 27%), amounts to €301 million for this fiscal year.

### 4.5 From adjusted net profit to net profit

Group's share of net profit from continued operations attributable to equity holders of the parent, including net effect from PPA, stood at €240 million, compared to €446 last year.

The net profit from discontinued operations stood at €7 million, compared to €21 million last year.

As a result, the Net profit (Group share) stood at €247 million for the fiscal year 2020/21 compared to €467 million for the same period last fiscal year.

## 5. Free cash-flow

| *(in € million)* | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| **EBIT** | **300** | **545** |
| Depreciation and amortisation* | 391 | 293 |
| Restructuring variation | (16) | (12) |
| Capital expenditure | (158) | (195) |
| R&D capitalisation | (106) | (79) |
| Change in working capital | (1,001) | (249) |
| Financial cash-out | (79) | (95) |
| Tax cash-out | (94) | (102) |
| Other | 60 | 100 |
| **FREE CASH FLOW** | **(703)** | **206** |

**Incl. PPA related to Bombardier Transportation acquisition for €71m*

The Group's Free Cash Flow stands at €(703) million for the fiscal year 2020/21 as compared to €206 million for the fiscal year 2019/2020. On a like-for-like basis, at constant consolidation scope from FY19/20, Alstom's Free Cash Flow amounted to €48 million.

The Group cash generation was notably impacted by an unfavourable €(1,001) million change in working capital compared to €(249) million for last fiscal year, mainly attributable to Bombardier Transport Working Capital change resulting mainly from working capital phasing, partial unwinding of working capital financing and suppliers repayment. Alstom's working capital change results mainly from ramp of rolling Stock projects and a softer commercial activity in the first half affecting mechanically downpayment levels.

Depreciation and amortisation amounted to €391 million, compared to €293 million last year. This €98 million increase is mainly attributable to the Bombardier Transportation integration, adding €90 million (thereof €71m PPA) as well as €36 million related to E-bus impairment of assets and partly offset by €(47) million related to reversal of impairment (see Note 9). Right-of-use assets amortisation amounted to €99 million compared to €92 million for last fiscal year.

Financial cash-out has decreased by €16 million mainly due to last year's repayment of senior bonds.

Alstom Group spent €158 million in capital expenditures notably on capacity development for E-Loco™ project in India. Other investments included production capabilities build-up for projects such as Mumbai Line 3 & Sydney project in India, SMCO in Poland, Rielsfera train maintenance in Spain and depot upgrades in UK. Capital expenditures has been reduced considering the Covid-19 crisis.

"Other" Free Cash Flow items as listed above reached €60 million this year and included mainly dividends from Casco Signal Limited and Transmashholding (TMH) joint-ventures.

## 6. Net Cash/(debt)

At 31 March 2021, the Group recorded a net debt position of €(899) million, compared to the €1,178 million net cash balance reported on 31 March 2020. This €(2,077) million decrease is mainly driven by the consolidation of Bombardier Transport and Free Cash Flow consumption.

In addition to its available level of cash, amounting to €1,250 million as of 31 March 2021, the Group can access a €1,500 million Revolving Credit Facility (RCF), maturing in October 2025 with two 1-year extension options at the lenders' discretion, together with a €1,750 million short term RCF maturing in August 2022 with two 6-month extension options at the borrower's discretion. They are fully undrawn at 31 March 2021.

This resulted in a liquidity position as of 31 March 2021 of €4,500 million.

## 7. Equity

The Group Equity on 31 March 2021 amounted to €9,117 million (including non-controlling interests), from €3,328 million on 31 March 2020, mostly impacted by:

- Capital increase of €5,396 million resulting from Bombardier Transport acquisition
- Net profit from the fiscal year 2020/21 of €247 million (Group share)

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## 8. Subsequent events

On 4 May 2021, it has been announced to employee representatives the intention to cease the design, marketing and production of Aptis™ buses. Aptis™ is an extremely innovative bus which faced competitive challenges on the highly competitive electric bus market.

## 9. Non-GAAP financial indicators definitions

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

### 9.1 Orders received

A new order is recognised as an order received only when the contract creates enforceable obligations between the Group and its customer.

When this condition is met, the order is recognised at the contract value.

If the contract is denominated in a currency other than the functional currency of the reporting unit, the Group requires the immediate elimination of currency exposure using forward currency sales. Orders are then measured using the spot rate at inception of hedging instruments.

### 9.2 Order backlog

Order backlog represents sales not yet recognised from orders already received.

Order backlog at the end of a financial year is computed as follows:

- order backlog at the beginning of the year;
- plus new orders received during the year;
- less cancellations of orders recorded during the year;
- less sales recognised during the year.

The order backlog is also subject to changes in the scope of consolidation, contract price adjustments and foreign currency translation effects.

Order backlog corresponds to the transaction price allocated to the remaining performance obligations, as per IFRS 15 quantitative and qualitative disclosures requirement.

### 9.3 Book-to-bill

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

### 9.4 Adjusted EBIT

Adjusted EBIT (“aEBIT”) is the Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with market practice and comparable to direct competitors.

Starting September 2019, Alstom has opted for the inclusion of the share in net income of the equity-accounted investments into the aEBIT when these are considered to be part of the operating activities of the Group (because there are significant operational flows and/or common project execution with these entities). This mainly includes Chinese joint-ventures, namely CASCO joint-venture for Alstom as well as, following the integration of Bombardier Transportation, Bombardier Sifang (Qingdao) Transportation Ltd., Bombardier NUG Propulsion System Co. Ltd. and Changchun Bombardier Railway Vehicles Company Ltd.

aEBIT corresponds to Earning Before Interests and Tax adjusted for the following elements:

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

A non-recurring item is a "one-off" exceptional item that is not supposed to occur again in following years and that is significant.

Adjusted EBIT margin corresponds to Adjusted EBIT expressed as a percentage of sales.

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

| *(in € million)* | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| **Adjusted Earnings Before Interest and Taxes (aEBIT)** | **645** | **630** |
| *aEBIT (in % of Sales)* | *7.3%* | *7.7%* |
| Restructuring and rationalisation costs | (14) | (18) |
| PPA amortization* | (84) | (14) |
| Impairment loss and other | (129) | 9 |
| Covid-19 inefficiencies & incremental costs | (68) | (24) |
| Reversal of Net Interest in Equity Investees pick-up | (50) | (38) |
| **EARNING BEFORE INTEREST AND TAXES (EBIT)** | **300** | **545** |

**Including PPA related to the acquisition of Bombardier Transportation*

## 9.5 Adjusted net profit

Following the Bombardier Transportation acquisition and with effect from these Fiscal year 2020/21 consolidated financial statements, Alstom decided to introduce the "adjusted net profit" indicator aimed at restating its net profit from continued operations (Group share) to exclude the impact of amortisation of assets exclusively valued when determining the purchase price allocations ("PPA") in the context of business combination, net of the corresponding tax effect. This indicator is also aligned with market practice.

This non-GAAP measure adjusted net profit indicator reconciles with the GAAP measure Net profit from continued operations attributable to equity holders (net profit – Group share) as follows:

| | Year ended 31 March 2021 |
|---|---|
| **Adjusted Net Profit** | **301** |
| Amortization of assets valued when determining the purchase price allocation | (61) |
| **NET PROFIT FROM CONTINUED OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | **240** |

## 9.6 Free cash flow

Free Cash Flow is defined as net cash provided by operating activities less capital expenditures including capitalised development costs, net of proceeds from disposals of tangible and intangible assets. Free Cash Flow does not include any proceeds from disposals of activity.

The most directly comparable financial measure to Free Cash Flow calculated and presented in accordance with IFRS is net cash provided by operating activities.

A reconciliation of Free Cash Flow and net cash provided by operating activities is presented below:

| *(in € million)* | **Year ended 31 March 2021** | **Year ended 31 March 2020** |
|---|---|---|
| **Net cash provided by / (used in) operating activities** | **(455)** | **476** |
| *Of which operating flows provided / (used) by discontinued operations* | | |
| Capital expenditure (including capitalised R&D costs) | (265) | (274) |
| Proceeds from disposals of tangible and intangible assets | 17 | 4 |
| **FREE CASH FLOW** | **(703)** | **206** |

Alstom uses the Free Cash Flow both for internal analysis purposes as well as for external communication as the Group believes it provides accurate insight into the actual amount of cash generated or used by operations.

During the fiscal year 2020/21, the Group Free Cash Flow was at €(703) million compared to €206 million last fiscal year.

## 9.7 Capital employed

Capital employed corresponds to hereafter-defined assets minus liabilities.

- Assets: sum of goodwill, intangible assets, property, plant and equipment, equity-accounted investments and other investments, other non-current assets (other than those related to financial debt and to employee defined benefit plans), inventories, costs to fulfil a contract, contract assets, trade receivables and other operating assets;
- Liabilities: sum of non-current and current provisions, contract liabilities, trade payables and other operating liabilities.

At the end of FY 20/21, capital employed stood at €11.2 billion, compared to €2.4 billion at the end of March 2020. This movement is mainly attributable to the goodwill resulting from the Bombardier Transport acquisition for €7.6 billion (see Note 11), and to the integration of Bombardier Transport assets and liabilities measured at their fair value at the date of acquisition (see Note 1.1).

| *(in € million)* | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| Non current assets | 17,069 | 4,628 |
| less deferred tax assets | (541) | (234) |
| less non-current assets directly associated to financial debt | (165) | (177) |
| Capital employed - non current assets **(A)** | 16,363 | 4,217 |
| Current assets | 11,167 | 8,380 |
| less cash & cash equivalents | (1,250) | (2,175) |
| less other current financial assets | (28) | (45) |
| Capital employed - current assets **(B)** | 9,889 | 6,160 |
| Current liabilities | 14,829 | 7,775 |
| less current financial debt | (526) | (270) |
| plus non current lease obligations | 590 | 465 |
| less other obligations associated to financial debt | (165) | (177) |
| plus non current provisions | 295 | 160 |
| Capital employed - liabilities **(C)** | 15,023 | 7,953 |
| **CAPITAL EMPLOYED (A)+(B)-(C)** | **11,229** | **2,424** |

## 9.8 Net cash/(debt)

The net cash/(debt) is defined as cash and cash equivalents, marketable securities and other current financial asset, less borrowings. On 31 March 2021, the Group recorded a net cash level of €(899) million, as compared to the net cash position of €1,178 million on 31 March 2020.

| *(in € million)* | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| Cash and cash equivalents | 1,250 | 2,175 |
| Other current financial assets | 28 | 45 |
| *less:* | | |
| Current financial debt | 526 | 270 |
| Non current financial debt | 1,651 | 772 |
| **NET CASH/(DEBT) AT THE END OF THE PERIOD** | **(899)** | **1,178** |

## 9.9 Organic basis

Figures presented in this section include performance indicators presented on an actual basis and on an organic basis. Figures given on an organic basis eliminate the impact of changes in scope of consolidation and changes resulting from the translation of the accounts into Euro following the variation of foreign currencies against the Euro.

The Group uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means to analyse and explain variations from one period to another. However, these figures are not measurements of performance under IFRS.