MANAGEMENT REPORT
ON CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEAR 2016/17

ALSTOM

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1. Main events of fiscal year 2016/17

1.1 Strong commercial and operational performance, growing adjusted EBIT margin and positive free cash flow

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

(in € million)	Year ended 31 March 2017	Year ended 31 March 2016	% Variation Mar. 17/ Mar. 16 Actual	% Variation Mar. 17/ Mar. 16 Organic
Orders Received	10,008	10,636	(6%)	(6%)
Orders Backlog	34,781	30,363	15%	9%
Sales	7,306	6,881	6%	5%
aEBIT	421	366	15%	
aEBIT %	*5.8%*	*5.3%*		
EBIT	358	(226)		
Net Profit - Group share	289	3,001		
Free Cash Flow	182	(2,614)		
Capital Employed	4,278	3,901		
Net Cash/(Debt)	(208)	(203)		
Equity	3,713	3,328		

1.2 Organic growth

Above mentioned figures are adjusted for foreign exchange variation resulting from the translation to Euro from the original currency, as well as change in scope.

The below table shows how we walk from actual to organic figures:

	Year ended 31 March 2017			Year ended 31 March 2016				Mar. 17/ Mar. 16	
(in € million)	Actual figures	Scope Impact	Comparable Figures	Actual figures	Exchange rate	Scope impact	Comparable Figures	% Var Act.	% Var Org.
Orders backlog	34,781	(349)	34,432	30,363	1,161	-	31,524	15%	9%
Orders Received	10,008	(110)	9,898	10,636	(160)	-	10,476	(6%)	(6%)
Sales	7,306	(176)	7,130	6,881	(101)	-	6,780	6%	5%

The actual figures for fiscal year 2015/16 (orders backlog, orders received and sales) are restated taking into account the exchange rates of 2016/17. Orders received last year were notably impacted by the depreciation of the Indian Rupee (INR), the Kazakhstani Tenge (KZT) and the British Pound (GBP) against the Euro. Sales recorded were impacted by an adverse foreign exchange translation impact compared to last year notably due to the depreciation of the Mexican Peso (MXN) and the British Pound (GBP) against the Euro (the British vote in favour of leaving European Union does not have significant economic consequences on the Group). However, orders backlog was positively impacted by the appreciation of the South African Rand (ZAR) and the US Dollar (USD) against the Euro.

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

1.3 Acquisitions and Partnerships

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

In South Africa, the Group completed the acquisition of CTLE shares (Commuter Transport & Locomotive Engineering), reinforcing its local presence and expanding its activities to better respond to the country's railway transport needs.

In Morocco, Alstom became the exclusive owner of Cabliance by acquiring Nexans' stake. With 250 employees and a turnover of €14 million in 2015, the company operates the cable bundles production segment for rail applications and electrical switchboxes.

In the United Kingdom, Alstom acquired Nomad Digital, a company specialized in passenger and fleet connectivity solutions. Nomad Digital's solutions include passenger WiFi, innovative Passenger Information Systems and on-board passenger portals, entertainment and media platforms. The company employed 230 people and generated a turnover of more than GBP30 million. This acquisition will give an edge to Alstom strategy to offer more tailor-made solutions to customers.

In France, Alstom acquired a minority stake in EasyMile, an innovative start-up company developing the EZ10 electric driverless shuttle. Alstom and EasyMile have signed a commercial partnership agreement aiming at providing integrated solutions for urban transportation. This investment will help Alstom expand its knowledge into driverless technologies and pursue its development in the growing field of smart mobility.

The Group also invested in a new increase in capital in SpeedInnov, the joint venture created between Alstom and ADEME to work on the 'very high-speed train of the future' project in collaboration with SNCF.

2. Objectives for 2020 confirmed

By 2020, sales should grow organically by 5% per year.
Adjusted EBIT margin should reach around 7% by 2020 driven by volume, portfolio mix and results of operational excellence actions.
By 2020, Alstom expects c. 100% conversion from net income into free cash flow.

3. Commercial performance

During fiscal year 2016/17, Alstom recorded a strong commercial performance with €10.0 billion orders received corresponding to a book-to-bill of 1.4. This performance was driven by two major contracts signed by the Group in the USA with Amtrak for the supply of new high-speed trains and associated maintenance for €1.8 billion and a contract signed in the United Arab Emirates with the Roads & Transport Authority (RTA) in anticipation of the 2020 World EXPO in Dubai. Fiscal year 2015/16 largely benefited from a major contract signed in India for electric locomotives and associated maintenance for €3.2 billion.

Geographic breakdown	**Year ended**				**% Variation Mar. 17/ Mar. 16**	
Actual figures *(in € million)*	**31 March 2017**	% of contrib	**31 March 2016**	% of contrib	**Actual**	**Organic**
Europe	5,102	51%	4,154	39%	23%	24%
Americas	2,890	29%	1,265	12%	128%	119%
Asia/Pacific	582	6%	4,135	39%	(86%)	(86%)
Middle East/Africa	1,434	14%	1,082	10%	33%	40%
ORDERS BY DESTINATION	**10,008**	**100%**	**10,636**	**100%**	**(6%)**	**(6%)**

Product breakdown	**Year ended**				**% Variation Mar. 17/ Mar. 16**	
Actual figures *(in € million)*	**31 March 2017**	% of contrib	**31 March 2016**	% of contrib	**Actual**	**Organic**
Rolling stock	5,525	55%	6,487	61%	(15%)	(14%)
Services	2,037	20%	1,769	17%	15%	21%
Systems	1,466	15%	975	9%	50%	53%
Signalling	980	10%	1,404	13%	(30%)	(37%)
Other	0	0%	1	0%	NA	NA
ORDERS BY DESTINATION	**10,008**	**100%**	**10,636**	**100%**	**(6%)**	**(6%)**

During fiscal year 2016/17, orders received in Europe amounted to €5.1 billion, up by 24% compared to last fiscal year on an organic basis. This growth was notably driven by two large contracts signed in the Netherlands for the supply of intercity new generation trains and in France to provide suburban trains for the Ile-de-France network. Also in France, Alstom received several additional orders for the supply of Euroduplex™ very high speed trains for the Paris-Bordeaux service, Coradia™ Polyvalent regional trains for the French regions as well as additional MP14 trains for the Paris metro network. In Italy, the Group will supply four additional Pendolino™ high-speed trains and associated maintenance, as well as new medium-capacity regional trains. Finally in Germany, Alstom recorded two contracts for the purchase of a total of 77 Coradia™ Continental regional trains.

In Americas, Alstom order intake amounted to €2.9 billion compared to €1.3 billion last year. This growth was boosted by a jumbo contract signed with Amtrak in the USA for the supply of new generation high-speed trains and associated maintenance contract for 15 years. In addition, the Group signed a contract in Peru for the supply of Metropolis™ cars and reconfiguration of several car trains of the line 1 of Lima metro. Finally, Alstom also signed two major maintenance contracts for Citadis™ vehicles in Canada and metro trains in Chile.

In Asia/Pacific, Alstom recorded €0.6 billion of orders during the fiscal year 2016/17, compared to €4.1 billion during the same period last year. The record performance last year was mainly due to a large contract signed in India for electric locomotives. During fiscal year 2016/17, the Group received an order in Australia for the supply of five additional X'Trapolis™ trainsets to further enhance Melbourne's suburban rail network. Also, Alstom was awarded its first tramway contract in Taiwan for the city of Kaohsiung.

During the fiscal year 2016/17, Middle East/Africa recorded €1.4 billion of orders, up 40% compared to last fiscal year on an organic basis. This performance was driven by a major contract awarded in the United Arab Emirates to design and build the extension of Dubai's red metro line and to upgrade the systems of an existing line. Alstom will notably supply an integrated metro system including 50 Metropolis™ trainsets with a three-year warranty.

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

Country	**Product**	**Description**
Australia	Rolling stock	Supply of five additional X'Trapolis™ trainsets for Melbourne's suburban rail network
Canada	Services	Supply of 30-year maintenance of Citadis™ vehicles for Ottawa
Chile	Services	23-year maintenance contract for Santiago metro
Egypt	Signalling/ Systems	Supply of signalling, telecommunication system and infrastructure for the Cairo metro line 3
France	Rolling stock	Supply of 71 new generation trains for the RER suburban network in Ile-de-France
France	Rolling stock	Additional order for supply of 15 Euroduplex™ Oceane trains for the Paris-Bordeaux service
France	Rolling stock	Supply of 30 Coradia™ Polyvalent for several routes of French regions
France	Rolling stock	Supply of 20 MP14 trains for the line 14 of Paris metro to extend and increase the line capacity
France	Rolling stock	Supply of 30 new generation metros to Greater Lyon to increase transport capacity of lines A, B and D of Lyon Metro
Germany	Rolling stock	Supply of 24 Coradia ™ Continental trains for the German Breisgau S-Bahn network
Germany	Rolling stock	Supply of 53 Coradia™ Continental trains for the suburban network of Bavaria, North Rhine-Westphalia and Rhineland-Palatinate regions
Italy	Rolling stock	Supply of 47 new medium capacity regional trains for Italian regions
Italy	Rolling stock / Services	Supply of four additional Pendolino™ high-speed trains and associated maintenance services
Netherlands	Rolling stock	Supply of 79 intercity new generation trains for the Amsterdam-Rotterdam-Breda line and the Den Haag-Eindhoven corridor
Peru	Rolling stock	Supply of 120 Metropolis™ cars and 19 new additional cars to the existing trainsets for Lima Metro L1
United Arab Emirates	Systems	Supply of 50 Metropolis™ trainsets and 15km extension of the Dubai Metro Red line and upgrade of an existing line for Dubai Metro Route 2020
USA	Rolling stock / Services	Supply of 28 high-speed trainsets for the Northeast Corridor route and associated maintenance contract for 15 years

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4. Orders backlog

On 31 March 2017, the Group backlog reached a record high at €34.8 billion (a €4.4 billion increase compared to last year) providing strong visibility on future sales.

Geographic breakdown Actual figures *(in € million)*	Year ended 31 March 2017	% of contrib	31 March 2016	% of contrib
Europe	15,008	43%	13,840	46%
Americas	5,686	16%	3,624	12%
Asia/Pacific	5,569	16%	5,271	17%
Middle East/Africa	8,518	25%	7,628	25%
BACKLOG BY DESTINATION	**34,781**	**100%**	**30,363**	**100%**

Product breakdown Actual figures *(in € million)*	Year ended 31 March 2017	% of contrib	31 March 2016	% of contrib
Rolling stock	16,915	49%	13,437	44%
Services	10,179	29%	9,409	31%
Systems	4,386	13%	3,985	14%
Signalling	3,301	9%	3,453	11%
Other	0	0%	79	0%
BACKLOG BY DESTINATION	**34,781**	**100%**	**30,363**	**100%**

5. Income Statement

5.1 Sales

During fiscal year 2016/17, Alstom sales amounted to €7.3 billion compared to €6.9 billion last year, up 5% on an organic basis.

Geographic breakdown Actual figures *(in € million)*	Year ended 31 March 2017	% of contrib	31 March 2016	% of contrib	% Variation Mar. 17/ Mar. 16 Actual	Organic
Europe	4,104	56%	4,098	60%	0%	2%
Americas	1,247	17%	1,055	15%	18%	6%
Asia/Pacific	702	10%	673	10%	4%	5%
Middle East/Africa	1,253	17%	1,055	15%	19%	18%
SALES BY DESTINATION	**7,306**	**100%**	**6,881**	**100%**	**6%**	**5%**

Product breakdown Actual figures *(in € million)*	Year ended 31 March 2017	% of contrib	31 March 2016	% of contrib	% Variation Mar. 17/ Mar. 16 Actual	Organic
Rolling stock	3,170	43%	3,146	46%	1%	0%
Services	1,468	20%	1,544	22%	(5%)	(1%)
Systems	1,286	18%	1,015	15%	27%	29%
Signalling	1,382	19%	1,162	17%	19%	7%
Other	0	0%	14	0%	NA	NA
SALES BY DESTINATION	**7,306**	**100%**	**6,881**	**100%**	**6%**	**5%**

In Europe, Alstom's sales reached €4.1 billion, up 2% on an organic basis compared to last fiscal year. Sales of the region contributed to 56% of the Group's total sales, thanks to the deliveries of Coradia™ trains in France, Sweden and Italy, as well as execution of large rolling stock contracts for the supply of suburban, high speed and very high-speed trains in France and Switzerland. During the period, the Systems activity recorded strong growth mainly from the Crossrail infrastructure track in the United Kingdom.

In Americas, Alstom recorded €1.2 billion sales representing a 6% organic increase compared to last year. The region accounted for 17% of the total Group's sales, mainly thanks to the delivery of a tramway system in Brazil for the Olympic Games and the supply of a metro system in Mexico. The growth of the region mainly came from Signalling, notably thanks to the execution of the GO Transit Union Station re-signalling contract in Canada. The actual growth reflected the contribution of signalling activities acquired from General Electric of twelve months sales this year versus five months last fiscal year.

Asia/Pacific sales amounted to €0.7 billion for the year 2016/17, up 5% on an organic basis mainly driven by the delivery of suburban trains to Melbourne, Australia. The region benefited from the growth of the Systems activity notably through contracts to provide a tramway system in Australia, and the replacement of track circuits in Hong Kong metro. As for Signalling, Alstom started to execute the Taiwan Taichung green line project and the Indian Lucknow metro contract.

In Middle East/Africa, Alstom recorded €1.3 billion sales during the year 2016/17, up 18% on an organic basis versus last year. The region continued to benefit from the execution of PRASA contract for fleet renewal in South Africa as well as revenue coming along with the first metro trains delivered to Riyadh in Saudi Arabia. In addition, sales were also boosted by tramway deliveries in Algeria as well as the execution of the Lusail tramway system contract in Qatar.

5.2 Operational performance

Alstom drives its performance through volume growth, product mix and operational excellence. This year, performance mainly resulted from steady revenue growth and quality of execution in a controlled cost structure both regarding research and development, as well as the selling and administrative expenses. This operational performance, followed through adjusted EBIT, is aligned with previously communicated objectives.

The Group increased research and development gross costs to €248 million during fiscal year 2016/17 with the intent to maintain & enhance its technology competitive edge. The amount of research and development expenses as recorded in the P&L statement for the period was €175 million i.e. 2.4% of sales.

(in € million)	Year ended 31 March 2017	31 March 2016
R&D Gross costs *	**(248)**	**(226)**
R&D Gross costs (in % of Sales)	*3.4%*	*3.3%*
Funding received	**51**	**41**
Net R&D spending	**(197)**	**(185)**
Development costs capitalised during the period	70	73
Amortisation expense of capitalised development costs	(48)	(53)
R&D expenses (in P&L) *	**(175)**	**(165)**
R&D expenses (in % of Sales)	*2.4%*	*2.4%*

* includes the reclassification of Signalling business sustaining costs from Cost of Sales to Research and Development for €(29) million as of 31 March 2016 and €(36) million as of 31 March 2017

Innovation is a source of competitiveness and differentiation for Alstom. Supporting this strategy, the Group has continued to develop its main R&D programs notably:

- The new generation of Coradia™ regional trains. Two major contracts including this new range of single deck EMUs were signed to equip the Italian and the Netherlands national networks.

- The zero-emission train Coradia iLint™, unveiled on September 2016 at InnoTrans. This regional train is powered by a hydrogen fuel cell, its only emission being steam and condensed water while operating with a low level of noise. In March 2017, it was successfully tested for the first time on Alstom's own test track in Salzgitter (Germany) at a speed of 80 km/h, achieving a significant milestone in environmental protection and technical innovation.

- The evolution of the Avelia™ range and notably the very high-speed train of the future project. This new generation high-speed trainset will offer real breakthrough in terms of competitiveness by reducing costs and improving passenger experience. The focus is to lower whole-life costs improve performance and reduce energy consumption and thereby promoting sustainable mobility.

- The next generation of traction power electronics based on silicon carbide components developed notably thanks to the European funding of Shift^{2}Rail. This investment will focus on the core electronic components and its adaptation to regional trains.

- APTIS™, a new 100% electric mobility solution jointly developed with its subsidiary NTL.

- New digital technologies notably concerning urban and mainline signalling solutions.

During the fiscal year 2016/17, selling expenses decreased compared to last fiscal year both in volume (-2%) and as a percentage of sales (from 2.8% to 2.6%) and this was achieved in a context of additional scope absorption.
Administrative expenses increased by €7 million as compared to last fiscal but decreased as of percentage of sales (from 5.0% to 4.8%). This increase in value is mainly due to the acquisition of GE signalling, the associated additional expense being itself reduced by the synergies created between the historical structure and the acquired business.

During the fiscal year 2016/17, the adjusted EBIT reached €421 million, compared to €366 million during the fiscal year 2015/16. Adjusted EBIT margin reached 5.8% versus 5.3% during last fiscal year. This increase in profitability was driven by volume growth, operational excellence and enabled by a stable cost structure sustained by competitiveness initiatives.

5.3 Net profit

During the fiscal year 2016/17, EBIT amounted to €358 million, compared to €(226) million in fiscal year 2015/16. The Group EBIT was mainly impacted by €(35) million amortisation of intangible assets and integration costs related to business combinations, notably after GE Signalling and SSL acquisition. Last fiscal year, Alstom EBIT was mainly impacted by non-recurring asset impairments for €(398) million and restructuring costs incurred during the year.

Net financial expense decreased at €(127) million during the fiscal year 2016/17 as compared to €(275) million for the same period last year. This decrease in financial expenses is due to a reduction in the average gross financial debt in particular due to bond being repurchased or having matured in the previous and current years. Also, one off banking fees related to the GE deal facilities and commitment fees on undrawn facilities have reduced compared to previous exercise.

The Group recorded an income tax charge of €(76) million for the fiscal year 2016/17 versus €(597) million for the same period last year which was notably impacted by the de-recognition of several deferred tax assets. At 31 March 2017, the effective tax rate was 33%.

The share of net income from equity investments amounted to €82 million mainly from the re-measurement of the put option in the Energy alliances protecting the Group against adverse alliances' results during the period (as disclosed in Note 13 to the consolidated financial statements).

During the fiscal year 2016/17, Net profit (Group share) stood at €289 million for the fiscal year 2016/17, compared to €3,001 million during the same period last fiscal year and included:

- Net profit from discontinued operations (Group share) for €66 million notably including the capital gain (net of tax and other costs) related to staggered and delayed assets.
- Net profit from continuing operations (Group share) for €223 million.

As a reminder, last year Net profit mainly benefited from the capital gain on the Energy business sale to GE.

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6. Free cash flow

(in € million)	Year ended 31 March 2017	31 March 2016
Adjusted EBIT	**421**	**366**
Depreciation and amortisation	132	138
Restructuring cash-out	(49)	(61)
Capital expenditure	(150)	(154)
R&D capitalisation	(70)	(73)
Change in working capital	80	(892)
Financial cash-out	(115)	(291)
Tax cash-out	(87)	(211)
Other *	20	(1,436)
FREE CASH FLOW	**182**	**(2,614)**

*includes free cash flow from discontinued operations

Comparability to last year's result is limited as a result of the transaction between GE and Alstom in November 2015. This year, the Group free cash flow was positive at €182 million compared to €(2,614) million during the last fiscal year which included the operating cash flows used by discontinued operations for €(1,568) million. Current period free cash flow showed a significant improvement compared to last year notably thanks to operational excellence and careful bid selection in the recently signed orders. Net cash generated by operations benefited from a combination of large down-payments received from new orders and first impacts of the Cash Focus programme.

During the period, Alstom invested €150 million in capital expenditures of tangible assets in order to modernize its existing facilities and strengthen its global footprint.
The Group has adapted its organisation to strengthen its international coverage and better respond to the local needs of its customers around the world. Recent major commercial successes have called for a modernization of existing sites and for the construction of new manufacturing sites, notably in India and in South Africa. These trigger an additional €300 million capex over three years. Up to the fiscal year 2016/17, this transformation capex accounted for €51 million, of which €47 million were spent this year.
In parallel to these strategic actions; the Alstom group has continued investing in the maintenance, the safety and the efficiency of existing plants and tools for a total spend of €103 million in fiscal year 2016/17.

7. Net Debt

On 31 March 2017, the Group recorded a net debt level of €208 million, compared to the net debt position of €203 million on 31 March 2016. Alstom's net debt remained stable as cash generated by operations was offset by acquisitions that occurred during the period. These acquisitions notably included the capital increase in the SpeedInnov joint-venture for €32 million in the frame of the 'very high-speed train of the future' project, the acquisition of Nomad Digital in the United Kingdom as well as the purchase of shares in the EasyMile company, a French innovative start-up developing the EZ10 electric driverless shuttle.
During the period, Alstom also reimbursed €453 million worth of bonds contributing to reduce gross financial debt by 19%.

In addition to its available cash and cash equivalents, amounting to € 1,563 million as of 31 March 2017, the Group can access a €400 million revolving credit facility, maturing in June 2022, with a possible one-year extension, which is fully undrawn at March 2017.

8. Equity

The increase in Equity on 31 March 2017 to €3,713 million (including non-controlling interests) from €3,328 million on 31 March 2016 was mostly impacted by:

- net profit from the fiscal year 2016/17 of €289 million (Group share);
- actuarial hypothesis variation on pensions (recorded in equity) of €(32) million net of tax;
- currency translation adjustment of € 107 million.

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 through the use of 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.

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

When Alstom's new organisation was implemented, adjusted EBIT ("aEBIT") became the Key Performance Indicator to present the level of recurring operational performance. This indicator is also aligned with market practice and comparable to direct competitors.

aEBIT corresponds to Earning Before Interests, Tax and Net result from Equity Method Investments adjusted with the following elements:
- net restructuring expenses (including rationalization costs);
- tangibles and intangibles impairment;
- capital gains or loss/revaluation on investments disposals or controls changes of an entity;
- and any other non-recurring items, such as some costs incurred to realize business combinations and amortisation of an asset exclusively valued in the context of business combination as well as litigation costs that have arisen outside the ordinary course of business.

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

Adjusted EBIT margin corresponds to Adjusted EBIT in percentage of sales.

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

	Year ended	
(in € million)	31 March 2017	31 March 2016
Adjusted Earnings Before Interest and Taxes (aEBIT)	**421**	**366**
aEBIT (in % of Sales)	*5.8%*	*5.3%*
Restructuring costs	(6)	(138)
Assets impairment	(6)	(398)
PPA amortisation and Integration costs	(35)	(43)
Capital gains/losses on disposal of business	2	38
Others	(18)	(51)
Earnings Before Interest and Taxes (EBIT)	**358**	**(226)**

9.5 Free cash flow

Free cash flow is defined as net cash provided by operating activities less capital expenditures including capitalised development costs, net of proceeds from disposals of tangible and intangible assets. In particular, free cash flow does not include the proceeds from disposals of activity.

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

A reconciliation of free cash flow and net cash provided by operating activities is presented below:

	Year ended	
(in € million)	31 March 2017	31 March 2016
Net cash provided by / (used in) operating activities	**401**	**(2,158)**
Of which operating flows provided / (used) by discontinued operations	*(7)*	*(1,568)*
Capital expenditure (including capitalised R&D costs)	(220)	(514)
Proceeds from disposals of tangible and intangible assets	1	58
FREE CASH FLOW	**182**	**(2,614)**

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

During the fiscal year 2016/17, the Group's free cash flow was positive at €182 million compared to €(2,614) million during the same period of the previous year.

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9.6 Capital employed

Capital employed corresponds to hereafter-defined assets minus liabilities.

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

At the end of March 2017, capital employed stood at €4,278 million, compared to €3,901 million at the end of March 2016.

This increase was notably due to positive working capital position at the end of the year driven by large down-payments received during the period, the increase of associates as well as the goodwill entries mainly coming from newly acquired businesses.

	Year ended	
(in € million)	**31 March 2017**	**31 March 2016**
Non current assets *	5,972	5,677
less deferred tax assets	(189)	(242)
less non-current assets directly associated to financial debt	(260)	(318)
less prepaid pension benefits	-	(1)
Capital employed - non current assets **(A)**	5,523	5,116
Current assets	8,379	7,904
less cash & cash equivalents	(1,563)	(1,961)
less other current financial assets	(8)	(22)
Capital employed - current assets **(B)**	6,808	5,921
Current liabilities	7,883	7,167
less current financial debt	(444)	(686)
plus non current provisions	614	655
Capital employed - liabilities **(C)**	8,053	7,136
CAPITAL EMPLOYED (A)+(B)-(C)	**4,278**	**3,901**

* include Energy alliances and put options

9.7 Net cash/(debt)

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

On 31 March 2017, the Group recorded a net debt level of €208 million, compared to the net debt position of €203 million on 31 March 2016.

(in € million)	Year ended 31 March 2017	31 March 2016
Cash and cash equivalents	1,563	1,961
Other current financial assets	8	22
Financial non-current assets directly associated to financial debt	260	318
less:		
Current financial debt	444	686
Non current financial debt	1,595	1,818
NET CASH/(DEBT) AT THE END OF THE PERIOD	**(208)**	**(203)**

9.8 Organic basis

Figures presented in this section include performance indicators presented on an actual basis and on an organic basis. Figures given on an organic basis eliminate the impact of changes in scope of consolidation and changes resulting from the translation of the accounts into Euro following the variation of foreign currencies against the Euro.
The Group uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means to analyse and explain variations from one period to another. However these figures are not measurements of performance under IFRS.