YOUR INVESTMENT CHOICES IN THE ADDITIONAL VOLUNTARY CONTRIBUTION SCHEME

FOR MEMBERS OF THE ALSTOM PENSION SCHEME

UNITED KINGDOM
Pensions

ALSTOM

CONTENTS

3 Thinking ahead

4 The funds

7 The Lifestyle strategy

8 Where can I get more information?

THINKING AHEAD

It is important that you read this guide together with the 'Additional Voluntary Contribution Scheme for members of the Alstom Pension Scheme' booklet before deciding how to invest your AVCs.

MAKING THE MOST OF YOUR OPPORTUNITIES

The Additional Voluntary Contribution (AVC) Scheme offers you a choice of investment funds that invest in equities, bonds, cash and 'alternative' investments. There is also a 'Lifestyle' investment strategy.

The Trustee has appointed Friends Life as the Scheme's AVC provider. This document provides details on the investment choices currently available to you for investing your AVCs.

Friends Life publishes updated information sheets about the investment funds every quarter. These information sheets give details about how and where the funds invest, and also contain the latest performance figures.

You can find the latest AVC fund information sheets on the pensions website:
www.pensions.uk.alstom.com/quickfind_APS.htm

THINK ABOUT RISK

All investment involves an element of risk, which means that there is a chance of your AVC fund increasing or falling both in value and buying power.

Different types of investment carry different levels and types of risk.

The investments with the potential for the highest long-term growth are also the most likely to suffer a (potentially significant) fall in value. The investments that are least likely to suffer a fall in their value may not grow enough to keep up with price inflation. There is no right answer; this is 'investment risk'.

Your choice of investments should be a balance between the investment risk you consider that you can afford to take and your willingness to accept different levels of risk. The funds available are described on **pages 4 and 5** with an indication of their relative levels of risk.

However, to some extent, your decision should be dependent on how far you are from retirement. Here are some thoughts you might want to consider:

- If you are in the early to middle part of your career, you may be willing to choose a higher level of risk and invest in an equity-based fund. The value of equities can go up and down in the short term, but investment theory suggests they should provide higher returns over the long term than investments like gilts and cash. This potential long-term growth is theoretically expected to outstrip price inflation, making up for any short-term ups and downs.
- When you get closer to retiring, stability and security are likely to become more important to you. Depending upon what you intend to do with your AVC fund it may be appropriate for you to choose a lower level of risk. For example:
  - If you intend to buy additional pension with your AVC funds, insurance companies predominantly base the cost of buying a pension on the income they expect to receive on bonds and gilts. So investing in bonds and gilts as you get closer to retiring can help to protect you against sudden changes in the cost of buying a pension.
  - If you intend to take your AVC fund as a cash lump sum, as you get within a few years of retirement it may be appropriate for you to consider investing part or all of your AVC account in cash-based investments. Cash has historically provided low levels of return over the long term, often falling behind price inflation, but it provides stability and security over the short term. It does not, however, guarantee that the value of your investment in this fund will not go down.

A number of words in this investment guide have a special meaning. An explanation of their meaning can be found on page 15 of the AVC booklet.

THE FUNDS

You can choose from a range of investment funds that offer different levels of risk.

CASH FUND: INSTITUTIONAL STERLING LIQUIDITY FUND

This fund invests in a range of money market (cash) instruments issued by the major London clearing banks and other members of the London money market.

This fund is managed by BlackRock.

INDEX-LINKED GILT FUND: UK INDEX-LINKED GILT INDEX FUND

This fund invests in index-linked gilts that the UK Government issues and that will mature in five years or more.

The fund aims to achieve a return that is consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index.

GLOBAL EQUITY FUND: GLOBAL EQUITY (50:50) INDEX FUND

This fund invests in company shares. The manager invests approximately 50% of the fund in the shares of UK companies and 50% in the shares of overseas companies. The overseas companies are split equally between the US, Europe (not including the UK) and the Far East.

The fund aims to achieve a total return that is consistent with the returns in the markets it invests in.

The above two 'index tracker'/passive funds are managed by BlackRock, a prominent index-tracking manager.

DIVERSIFIED GROWTH FUND: AQUILA LIFE MARKET ADVANTAGE FUND

This fund is actively managed and invests in a highly diversified mix of types of investment whilst managing risk exposure. The asset allocation of the fund can change over time as the manager has discretion to vary the proportions invested in each asset class. It follows a diversified, risk-controlled investment process that aims to achieve:

- Return similar to a balanced portfolio* over a market cycle.
- Approximately 40% less risk than a balanced portfolio*.
- Smoother returns during extreme market conditions.

* In this case a balanced portfolio is defined as holding 60% in equities and 40% in bonds.

By managing exposure during market extremes, the fund seeks to deliver risk in line with targets while reducing downside risk. The fund targets a return of cash plus 3.5% p.a. over the longer term.

The fund is managed by BlackRock.

ALTERNATIVE DIVERSIFIED GROWTH FUND: INTERMEDIATED DIVERSIFIED GROWTH FUND

This fund is actively managed and invests in a wide mix of company shares, bonds, commercial property, cash and other alternative forms of investment. The asset allocation of the fund can change extensively over time as the fund manager has discretion to vary the proportions invested in each asset class. The fund manager will therefore try to invest in the most attractive assets at any one time, although there is usually a reasonably high allocation to equity-like assets.

The aim of the fund is to achieve a return similar to equity markets which, in normal market conditions, might be expected to be in the order of 5% ahead of inflation over a five-to-seven-year period. However, the fund aims to achieve this equity-like return, over the long term, with slightly less risk by diversifying the underlying assets. Investors need to be aware that there could be periods over which just one type of asset may produce stronger returns than this fund.

The fund is managed by Schroder Investment Management (Schroders).

DIVERSIFIED BOND FUND: ABSOLUTE RETURN BOND FUND

The objective of the fund is to outperform the cash returns by 2% to 3% p.a., over rolling three-year periods. The fund aims to deliver positive returns irrespective of market conditions. By combining a wide range of traditional fixed income instruments as well as using derivatives, the fund aims to achieve its performance target within strict risk parameters and with a low level of volatility.

The fund manager is Kames Capital, which is a wholly owned subsidiary of the insurer Aegon.

ANNUAL CHARGES

Charges are deducted from your AVCs to cover the cost of running the investment funds and on-going administration. Charges for each individual fund are shown in the table on the next page.

The full annual cost of investment, known as the total expense ratio, may consist of the following:

- a charge by Friends Life which is taken over the AVC account lifetime to cover administration costs and investment charges;
- an annual fund manager charge applied by the fund managers for managing the funds. The charge varies according to the funds you invest in; and
- there may be additional expenses associated with some funds and these are reflected in the unit price. The additional expenses reflect the cost of managing the assets and include fees to third parties like the auditor, for example.

All charges are reviewed regularly and can change.

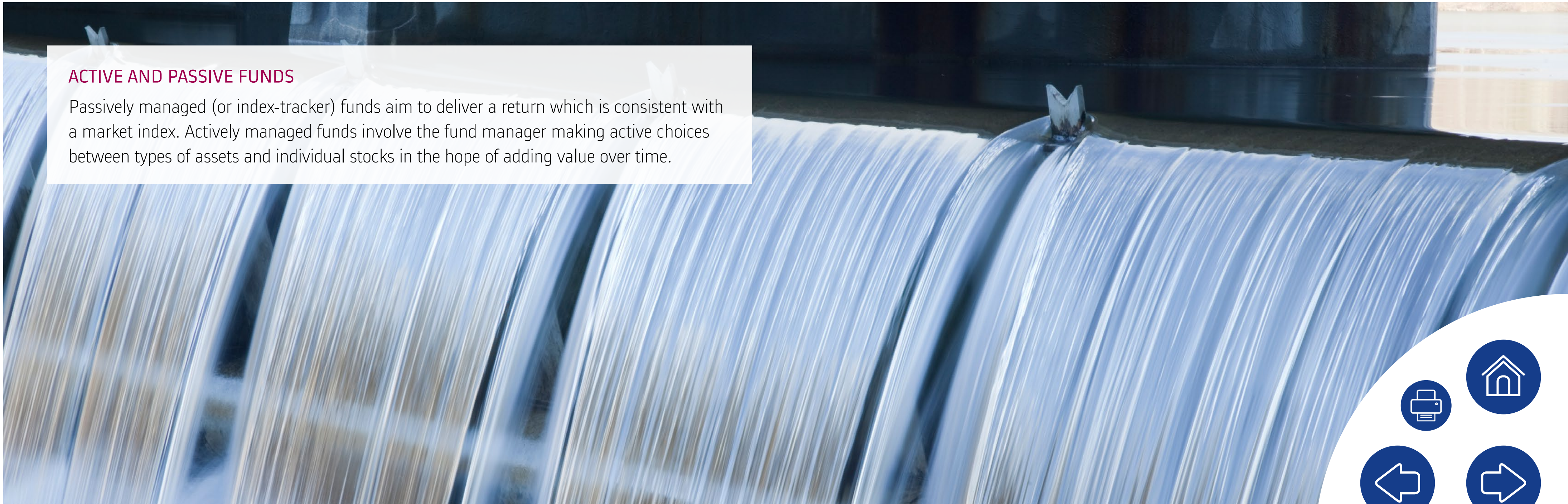
SUMMARY TABLE

Fund name	Type of fund	Manager	Active or passive	Level of risk	Total annual charge (% p.a.)	
Global Equity (50:50) Index	Global Equity	BlackRock	Passive	Medium/High	0.35	
UK Index-Linked Gilt Index	Index-Linked Gilt	BlackRock	Passive	Low/Medium	0.35	
Institutional Sterling Liquidity	Cash	BlackRock	Active	Low	0.35	
Aquila Life Market Advantage	Diversified Growth Fund	BlackRock	Active	Medium	0.57	NEW
Intermediated Diversified Growth	Diversified Growth Fund	Schroders	Active	Medium	1.05	
Absolute Return Bond Fund	Diversified Bonds	Kames	Active	Low/Medium	0.90	NEW

The value of your investment in all of these funds can go down as well as up and you may not get all of your original investment back. For this table 'risk' is characterised as the likelihood and likely magnitude of short-term volatility in unit prices, but is subjective in nature and investment choices should reflect your own personal circumstances. Therefore the contents of this guide should not be constituted as advice.

ACTIVE AND PASSIVE FUNDS

Passively managed (or index-tracker) funds aim to deliver a return which is consistent with a market index. Actively managed funds involve the fund manager making active choices between types of assets and individual stocks in the hope of adding value over time.



THE LIFESTYLE STRATEGY

Lifestyling is a long-term investment strategy that manages your money for you. You do not have to make day-to-day investment decisions. The Trustee invests your contributions for you in a mixture of funds, which varies according to your age.

REMEMBER

Lifestyle is designed to suit most people. This means that it may not be the best option for everyone. It will not necessarily give you better returns than other approaches to investing. The expected benefits of Lifestyle primarily depend on equities/diversified growth fund assets performing better than other types of assets over the longer term.

Also, please note that you cannot invest in the Lifestyle strategy and individually selected funds at the same time.

CHARGES

The charges on the individual investment funds in Lifestyle are the same as those in the table on **page 6**.

There are no extra charges for participating in the Lifestyle strategy – although switching funds may still incur transaction costs such as stockbroker fees.

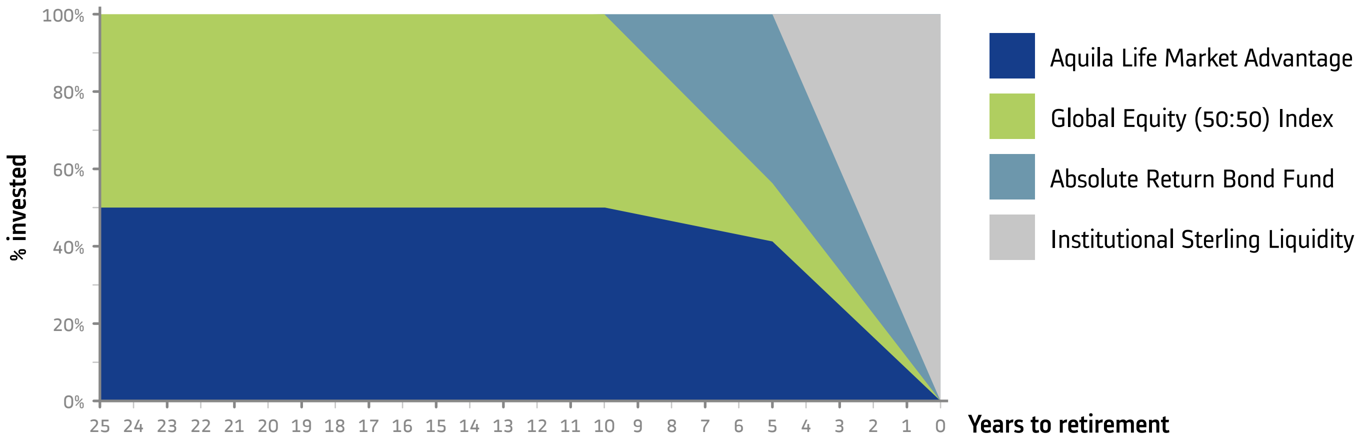
The Lifestyle strategy has been designed to suit members who are prepared to take a reasonable degree of risk in the early/middle years and who intend to take their AVCs in the form of a cash lump sum at retirement.

At the start, we will assume your Target Retirement Age (TRA) is 65, unless you tell us otherwise. This is the age you are expected to take your AVC benefits and which determines the timing of the gradual fund switches that take place under Lifestyle.

When you start investing in the Lifestyle strategy, the Trustee invests your AVCs 50% in the Aquila Life Market Advantage Fund and 50% in the Global Equity (50:50) Index Fund. Ten years before your target retirement age, Friends Life will gradually switch AVCs into the Absolute Return Bond Fund. From five years, Friends Life will also gradually switch AVCs into the Institutional Sterling Liquidity Fund. By the time you retire, all of your AVC account will be invested in the Institutional Sterling Liquidity Fund.

The graph below shows how the funds in the Lifestyle strategy change over time.

NEW LIFESTYLE STRATEGY



WHERE CAN I GET MORE INFORMATION?

You may want to consider speaking to a suitably qualified financial adviser.

To learn more about finding a financial adviser you can visit **www.moneyadviceservice.org**

CONTACT US

If you have any questions about saving for your pension or the Alstom Pension Scheme in general, please contact the administrators of the Alstom Pension Scheme, JLT.

JLT Employee Benefits
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Normal office hours are 8.30am to 5.30pm Monday to Friday.

You can also find out more online at **www.pensions.uk.alstom.com**

Administration team (if your pension has not started yet)

01372 200 363

alstom_pensions@jltgroup.com

Pensioner payroll team (if you are receiving your pension)

01372 200 333

payroll_team2@jltgroup.com

IMPORTANT

Neither JLT nor the Trustee are allowed to provide individuals with personal financial advice. Any opinions on investment products contained in this guide are not intended to convey any guarantees as to their future investment performance.

In addition

- Past performance cannot be relied upon as a guide to future performance.
- The value of stocks, shares, gilts, bonds and other fixed income investments, including unit trusts, can go down as well as up and you may not get back the amount you have invested.
- Investments denominated in a foreign currency will fluctuate with the value of the currency.

This guide is intended as a summary of the provisions of the Additional Voluntary Contribution Scheme and does not contain the details in full. In the event of a conflict between the Trust Deed and Rules and this guide, the Trust Deed and Rules and overriding legislation will prevail.

Where statements are made in this guide relating to legislative or tax issues, those statements are based on the Trustee's understanding of these issues as at the date of this guide. These statements are subject to changes in legislation and to changes in HMRC practice.