

DIMENSION EXTRA

For members of the Alstom Pension Scheme



SUMMARY FUNDING STATEMENT

May 2011

ALSTOM

THE SCHEME'S FINANCIAL HEALTH

It is part of the Trustee's responsibility to make sure that a full valuation is carried out every three years. In addition, the Trustee must provide you with an annual update on the funding position. This update is provided in the Summary Funding Statement.

THE PURPOSE OF THIS STATEMENT:

TO SUMMARISE THE SCHEME'S FUNDING POSITION

The statement shows the position at the most recent actuarial valuation and explains changes to the funding position since the previous valuation.

The last statement sent to you was in June 2008, which set out the financial position of the Scheme at 5 April 2008. That was based on the formal financial health-check, known as an 'actuarial valuation' at 5 April 2006, updated at 5 April 2008.

As the Trustee reported in the December 2010 edition of Dimension, the completion of the 5 April 2009 valuation had been delayed while the Company and the Trustee continued discussions on the appropriate level of contributions needed to reduce the deficit. These discussions concluded earlier this year and all of the formal documents and agreements associated with the actuarial valuation were signed at the Trustee meeting on 29 March 2011.

This statement provides information about the Scheme at 5 April 2009 and also shows the results of the annual updates at 5 April 2010 and 5 April 2011.

HOW YOUR PENSION IS FUNDED

Alstom pays contributions so that the Scheme can build up a fund to pay pensions and other benefits to members. Contributory members also pay contributions into the Scheme to help pay for their benefits.

Members do not have separate individual holdings within the Scheme. The Trustee receives regular valuation reports from the Actuary which provide an estimate of the amount of assets needed today to meet future benefit payments. The estimate allows for future investment returns. If the Scheme has fewer assets than liabilities, it is said to have a 'shortfall' or 'deficit'. Using this information, the Trustee arrives at an agreement with Alstom on the amount of contributions needed to keep the Scheme's funds on track to meet the objective to pay pensions and other benefits.

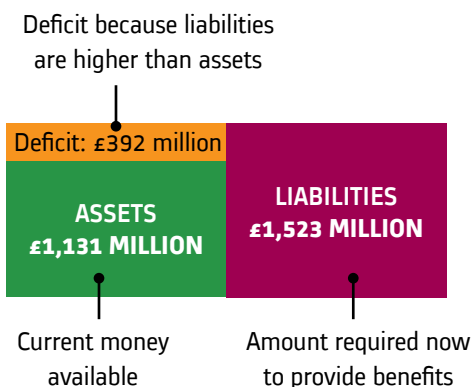
THE TRUSTEE'S OBJECTIVE

The Trustee's objective is to ensure that funding is available to meet all pension obligations as they fall due and to maximise protection of the benefits that the Company has promised to pay and that members are expecting.



WHAT ARE THE RESULTS OF THE LAST FULL VALUATION?

The funding position at 5 April 2009 on an ongoing basis was:



On an ongoing basis the funding level was 74%.

The estimated funding level at 5 April 2008 as shown on the last summary funding statement was 95%. The funding level at the 5 April 2009 valuation was 74%. The main reason for the deterioration was poor investment returns.

Position on winding up

The estimated funding level if the Trustee was required to wind up the Scheme and buy insurance policies to meet the liabilities (known as 'full solvency') was 51%. A more detailed explanation of what winding up means can be found on page 6.

Change in funding position since April 2009

The funding position is monitored annually. The annual funding update at 5 April 2010 showed that the funding level was 78%, with a shortfall of £368 million. The funding position improved since the last valuation because:

- Investment returns were higher than assumed in the 2009 valuation; and
- Alstom paid extra contributions of £16.1 million.

Change in funding position since April 2010

The annual funding update at 5 April 2011 showed that the funding level was 78%, with a shortfall of £384 million. The funding position has remained unchanged since the last valuation because the increase in the value of the assets over the year due to contributions made and positive investment returns was broadly equal to the increase in the value of the liabilities due to factors such as larger than expected pension increases and additional benefits being built up.

The next full valuation is due on 5 April 2012. There has not been any payment to Alstom out of Scheme funds in the period since the actuarial valuation or since the last Summary Funding Statement.

DISCUSSIONS WITH THE COMPANY

The sponsors of the Scheme are four UK companies, of which the principal employer is ALSTOM Ltd.

By 'the Company' we mean the UK sponsors who have regulatory responsibility for the Scheme. ALSTOM Holdings SA has also provided support and accepted some responsibilities for funding the Scheme.

The Trustee held ongoing discussions with the Company during 2010 and 2011 to discuss the Scheme's funding position, the appropriate level of contributions required to tackle the deficit, and the guarantee provided by ALSTOM Holdings SA. The Trustee recognised ALSTOM Holdings SA's support to ALSTOM Ltd by the contribution of £235 million on 30 March 2011.

The outcome of the funding discussions was a revised Funding Agreement incorporating the following changes:

- 1** the term of the Recovery Plan and the duration of the guarantee extended from 31 March 2016 to 31 March 2026;
- 2** guarantee increased from £500 million to £700 million from 1 April 2010 with an adjustment linked to the increase/decrease in the Total Shareholder's Funds of ALSTOM Ltd at each 31 March thereafter;
- 3** annual deficit reduction contributions increased from £16.1 million to £20 million;
- 4** clarification of the support given by ALSTOM Holdings SA to the Scheme;

- 5** improvements in ALSTOM Ltd's or ALSTOM Holdings SA's financial position will trigger discussions on accelerated funding with an ambition, if possible, to reduce any recovery plan to less than 10 years; and
- 6** a specified restriction on ALSTOM Ltd's ability to pay any dividend unless it clearly makes a profit and the Total Shareholder's Funds are not reduced below £362 million.

The Trustee is reassured that the total of the Scheme's assets, together with the Shareholder's funds of ALSTOM Ltd and the guarantee provided by ALSTOM Holdings SA, are just below the cost of securing members' benefits with an insurance company.

As a result of the actuarial valuation and an assessment at 31 March 2010, Alstom has maintained its regular contributions to the Scheme at 13.0% of Pensionable Earnings and has committed to:

- pay additional contributions of £20 million a year for the 16 Scheme years commencing in 2010 and ending in April 2026 (increased from £16.1 million each year previously), unless the Scheme no longer has a shortfall;
- continue to pay the Pension Protection Fund Levy and Trustee indemnity insurance; and
- continue its contribution towards expenses increased each year.

YOUR QUESTIONS ANSWERED

Is the shortfall going to be paid off?

As explained on page 5, Alstom will be making additional annual contributions until 2026 of £20 million and it is the Trustee and Alstom's joint intention that the shortfall be eliminated by April 2026.

How much money is paid into the Scheme each year?

Following each actuarial valuation, the level of contributions that should be paid to the Scheme in order to meet the future benefits being built up by active members is calculated by the Actuary using assumptions agreed by the Trustee and Alstom.

This agreed level of contributions is recorded in a document called the Schedule of Contributions. This is reviewed and updated at least each time the Scheme has an actuarial valuation.

What does 'winding up' mean?

Winding up is one of the possible outcomes if the Scheme were to be discontinued. It means that benefits would be secured and paid through an insurance company.

Discontinuance could happen if Alstom went out of business or decided to stop contributing to the Scheme. In this circumstance, benefits would be either provided from the Scheme, which would continue to be run, or the Scheme would

be wound up, as above. If this did happen, Alstom would owe a sum of money to the Scheme equal to the amount needed to ensure that the Scheme had enough money to be able to buy all the benefits.

So why have you shown the 'winding up' position?

We are required by law to show you this information. The provision of this information does not mean that Alstom or the Trustee is thinking of winding up the Scheme. It is just another piece of information we are required to show and we hope will help you understand the financial security of your benefits.

What would happen if the Scheme were wound up and there was not enough money to pay for all my benefits?

The Government has set up the Pension Protection Fund (PPF) to pay benefits to members of schemes that wind up where the employer has gone out of business and the scheme does not have enough money to cover the cost of buying members' benefits with an insurer to at least the level that the PPF would provide.

The pension paid from the PPF would often be less than the full benefit to which the member would be entitled, depending on their age and when their benefits were earned.

Further information is available on the PPF website at www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

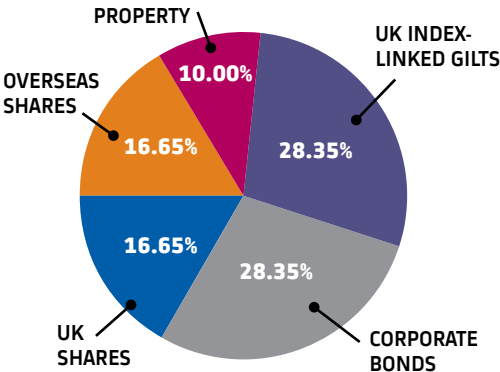
Where are the Scheme funds invested?

The Trustee invests in a broad range of assets to get the best return possible while taking account of the liabilities of the Scheme and without taking unnecessary risk.

How is the Scheme invested?

The Trustee sets the Scheme's investment strategy with the help of its professional advisers.

At 15 December 2010, the Scheme benchmark asset allocation was as follows:



The Trustee retains a desire to hedge out the interest and inflation risks in the liabilities (to reduce the volatility of the deficit at actuarial valuations) and monitors the market on a regular basis.

Where can I get further information?

There are a number of documents available about the Scheme:

Statement of Investment Principles

This explains how the Trustee invests the money paid into the Scheme.

Statement of Funding Principles

This sets out the basis and assumptions used by the Trustee to value the assets and liabilities of the Scheme.

Recovery Plan

This sets out how any shortfall revealed by the actuarial valuation will be eliminated.

Schedule of Contributions

This shows how much money is being paid into the Scheme by Alstom and active members.

Annual Scheme Report and Accounts

This shows the Scheme's income and expenditure over the year.

Formal Actuarial Valuation Report

This contains details of the Actuary's check of the Scheme's financial security at the triennial valuation date.

Actuarial Report

This is an interim annual assessment of the Scheme's financial health prior to the next formal actuarial valuation.

If you would like a copy of any of these documents, please contact the Pensions Department (see back page for details).

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Keep in touch

Please help us to keep in touch with you by telling MNPA if you change your address.

If, for any reason you are considering leaving the Scheme, you should consult an appropriate financial adviser, before taking any action.

We are required to confirm that there has been no modification of the Scheme by the Pensions Regulator, that the Scheme is not subject to directions from the Pensions Regulator, and that the Scheme is not bound by a schedule of contributions imposed by the Pensions Regulator, under Section 231 of the Pensions Act 2004.

**This document is
available in large
print on request.**

Contact us

If you have a question about the Scheme or the information in this Statement, please contact the Pensions Department at:

UK Pensions Department
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CV21 2NH

If you have any other query regarding your pension, please contact MNPA:

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