Siemens, with Mitsubishi Heavy, is bidding to buy Alstom's gas-turbine business. Bloomberg News

German engineering giant Siemens AG SIE.XE +0.02% and Japanese conglomerate Mitsubishi Heavy Industries Ltd. 7011.TO -1.43% launched a bid for Alstom SA ALO.FR -0.90% 's energy business, hoping to thwart General Electric Co. GE -0.81% 's earlier $17 billion offer for the French industrial group with a pitch that is as much about politics as finance.

Under the German-Japanese bid, Siemens would acquire Alstom's gas-turbine manufacturing and services business for about €3.9 billion in cash, or roughly $5.3 billion.
Once that deal is done, Siemens is offering to negotiate another deal to combine its rail business with Alstom’s larger rail unit to create what Siemens dubbed a "European rail champion for the world market."

Dissecting a Competing Bid

Siemens and Mitsubishi Heavy made a rival offer to Alstom:

- Siemens of Germany and Mitsubishi of Japan would split up Alstom’s energy business.
- Siemens would pay €3.9 billion ($5.3 billion) to acquire the French conglomerate’s gas-turbine business.
- Siemens is also willing to negotiate a combination of its rail operations with Alstom’s.
- Mitsubishi would pay €3.1 billion for stakes in three joint ventures with Alstom: nuclear and steam-turbine business (40% stake); hydropower (20% stake); and electric grid (20% stake).
- Mitsubishi also is offering to buy up to a 10% Alstom stake from French group Bouygues.

Source: the companies

The combined offer values Alstom's power-equipment business at more than €13.35 billion, according to a Siemens executive familiar with the matter.

Mitsubishi is offering to pay €3.1 billion in cash to take minority stakes in Alstom’s divisions that make equipment for power plants using nuclear fuel, fossil fuels, hydroelectric systems and wind, as well as its units making equipment for power grids. Alstom would retain control of those businesses.

Mitsubishi is also offering to buy a 10% stake in the Alstom group from shares now held by French conglomerate Bouygues SA EN.FR -0.76%. Bouygues, which owns 29.3% of Alstom, has said that it hasn't yet been approached by Mitsubishi and intends to remain a shareholder in the company.

Alstom’s board, including Chief Executive Patrick Kron, will review the binding offer in "the coming days," Alstom said. On Monday, the chief executives of Siemens and Mitsubishi met with Mr. Kron and a group of board members in Paris to present the offer.

"The board meeting was very demanding. They asked a lot of questions," the Siemens executive said. Mr. Kron—who has long considered Siemens an adversary—was "very Patrick," the Siemens executive said, peppering his Japanese and German counterparts with queries that were "full of life."

Mr. Kron declined to comment on the meeting through a spokeswoman.

The tug of war over Alstom has been politically controversial in France. When Alstom revealed in April that it was close to a deal to sell most of the company to GE, the French government reacted angrily, fearing the loss of a national industrial icon at a time of deep problems across the French economy.
The French government asked Siemens to intervene and launch a counter offer to GE’s bid, but it took Siemens several weeks to prepare a bid. With the formal German-Japanese offer now in hand, Paris can continue playing the foreign suitors against each other.

French President François Hollande is due to meet Joe Kaeser, the chief executive of Siemens, and Shunichi Miyanaga, head of Japan’s Mitsubishi Heavy Industries, Tuesday morning to discuss the offer. The two will also appear before a French parliamentary committee.

On Monday, Mr. Hollande’s office declined to comment on the specifics of the Siemens-Mitsubishi offer, reiterating that the French government has “no preference” between the rival suitors. The government, Mr. Hollande’s office said, remained committed to preserving French jobs and homegrown technology that Paris deems strategic.

The Siemens-Mitsubishi offer is tailor-made to address French fears about losing jobs and technology to a powerful U.S. rival. The German-Japanese bidders stress that an alliance between Mitsubishi and Alstom would create 1,000 jobs in France, retain Alstom’s listing on the French stock exchange and keep Alstom in control of most of its business.

"Alstom would remain an independent energy and transport player with a strong brand," Siemens said. "Our offer is more attractive financially and in terms of its industrial policy impact" than GE’s.
An offshore wind turbine is seen at an Alstom site near Saint Nazaire, western France. Reuters

Siemens said its offer with Mitsubishi is valued at roughly €1 billion more than the offer GE has put on the table, but it isn't entirely clear how Siemens comes to that conclusion.

A person familiar with the joint Siemens-Mitsubishi bid said the difference is that under their joint offer, Alstom’s assets remain in the hands of Alstom’s shareholders. GE would purchase those assets outright and integrate them into GE.

Although the Siemens-Mitsubishi offer tries to alleviate French fears, it isn't clear whether their bid goes far enough to address the concerns of the French government and French unions.

Some union officials said the Siemens-Mitsubishi bid would result in a de facto division of the company into separate businesses controlled by different owners. "We are against the breaking up of Alstom and what we see here is precisely a breaking up," said Miguel Torvisco, a representative for the leftist CGT labor union.

The Siemens executive familiar with the matter rejected accusations the plan paved the way for a breakup of Alstom, insisting the French company would remain intact. Under the possible deal, some of Alstom’s operations could be carved out into subsidiaries controlled by the French company, said a Mitsubishi executive.

Mitsubishi’s plans to take a 40% stake in Alstom’s nuclear and steam-turbine business aims to assuage government concerns about future use of the sensitive technology by leaving the activity under French control.
Alstom's management has already given its support to GE’s offer and has shunned overtures by Mr. Kaeser, who has a chilly relationship with Mr. Kron, Alstom’s CEO, according to people who know the companies.

Alstom has until Monday, June 23, to accept or reject GE’s formal offer—unless GE extends its offer.

French Economy Minister Arnaud Montebourg has said GE's bid is unacceptable and a threat to France's economic sovereignty. Aside from energy equipment, Alstom manufactures TGV high-speed trains.

GE nevertheless continues to press its case in meetings with French officials. The company has stationed top executives in Paris and plans more talks with those officials in coming days.

Since first presenting the offer, GE has added a 1,000-job guarantee and offered to develop partnerships that would allow French investment in some of Alstom’s energy businesses. GE also is discussing the creation of a unit that would preserve French ownership of Alstom’s steam turbines for nuclear-power plants, a significant concern of Mr. Montebourg.

On Monday, a spokesman for GE said the company remained confident that its offer for Alstom would prevail, and suggested that dividing sections of Alstom's business among Siemens and Mitsubishi would hurt the French company.

"Bringing together two great companies so that they can compete with the best technology and global scale is better for Alstom than carving up its assets," GE spokesman Gary Sheffer said in an email.

—Stacy Meichtry in Paris and Ted Mann in New York contributed to this article.

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