Annual report
2007/08

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Annual report
2007/08

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ALSTOM

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Overview

GROUP GENERAL ORGANISATION

ALSTOM serves the power generation market through its Power Systems Sector and its Power Service Sector, and the rail transport market through its Transport Sector. ALSTOM designs, supplies and services a complete range of technologically advanced products and systems for its customers, and possesses a unique expertise in systems integration and through-life maintenance and service.

In fiscal year 2007/08, orders amounted to €23.5 billion and sales to €16.9 billion. On 31 March 2008, the backlog amounted to €39.2 billion.

ALSTOM believes the power and transport markets in which the Group operates are sound, offering:

- solid long-term growth prospects based on customers' needs to expand essential infrastructure systems in developing economies and to replace or modernise them in the developed world; and
- attractive opportunities to serve the existing installed base.

ALSTOM believes it can capitalise on its long-standing expertise in these two markets to achieve competitive differentiation. ALSTOM is strategically well positioned for the following reasons:

- ALSTOM has global reach, with a presence in around 70 countries worldwide;
- ALSTOM is a recognised technology leader in most of its fields of activity, providing best-in-class technology; and
- the Group benefits from one of the largest installed bases of equipment in power generation and rolling stock, which enables it to develop its service activities.

An international network coordinates the presence of ALSTOM throughout the world. This network supports the Sectors in their business development and sales.

On 31 March 2008, ALSTOM had a total of approximately 76,000 employees worldwide.

MAIN EVENTS OF FISCAL YEAR 2007/08

Very strong commercial and operational performance

ALSTOM achieved record results over 2007/08:

- the Group received €23.5 billion of new orders, a 23% increase (24% on an organic basis) compared to the previous year, bringing its backlog to €39.2 billion at 31 March 2008. Power Systems showed a strong commercial performance across all technologies (gas, coal, nuclear, hydro and wind). Power Service continued to experience a sustained growth, combining small and medium size orders as well as a number of long-term operation and maintenance contracts. Transport achieved an excellent year in terms of orders received, with a large order for very high speed trains and a number of successes in metros, tramways and regional trains;
- sales reached €16.9 billion, a 19% increase from last year on both an actual and organic basis, as a result of the Group delivering its growing backlog;
- income from operations stood at €1,295 million or 7.7% of sales, compared to €957 million or 6.7% of sales last year. The Group benefited mainly from its higher level of activity, the better quality of its order book and its continuous focus on project execution and cost control;
- net profit (Group share) amounted to €852 million, a 56% increase compared to 2006/07[1], as a consequence of higher operational performance, and lower non-operating and financial expenses. Earnings per share (basic) reached €6.0 *vs.* €3.9 last year;
- free cash flow amounted to €1,635 million, an all-time high, as a result of the increased net income and a further improvement in working capital primarily due to the large order intake.

(1) Net income for 2006/07 is restated for the change in accounting method related to pensions. Net income – group share – before this restatement was €448 million.

Human resources management at the centre of ALSTOM's priorities

In order to favour the execution of its growing backlog, ALSTOM recruited around 10,500 employees in 2007/08 (of which 5,100 engineers and professionals); this represents 14% of the Group's total headcount as of 31 March 2008. ALSTOM particularly focused its recruitment effort on high-growth regions such as Asia as well as on key functions such as project management. ALSTOM also further developed its training programmes as 3,500 participants took part in "ALSTOM University"(2) sessions over the year.

In 2007/08, ALSTOM successfully implemented its new employee stock purchase plan. Around a third of eligible employees subscribed to this scheme, demonstrating their confidence in the Group's future performance. Approximately 700,000 new shares have been issued or will be issued as a result of this plan (representing 0.5% of ALSTOM's share capital as of 31 March 2008).

Shaping the future through innovation

ALSTOM accelerated its research and development (R&D) investments in order to prepare its future growth. R&D expenditure (gross) amounted to €561 million in 2007/08 *vs.* €440 million the previous year, showing a 28% increase. Taking into account capitalization and amortization of development costs, R&D expenditure in the income statement amounted to €554 million compared to €456 million in 2006/07.

ALSTOM's key strategic R&D programmes showed significant progress over 2007/08:

- on 5 February 2008, ALSTOM unveiled its next generation of very high speed trains, the AGV™. The AGV™ technology, which is based on articulated carriages and a new distributed drive system, will allow trains to reach a commercial speed of 360 kilometres per hour;
- ALSTOM is further intensifying its R&D on CO_2 capture solutions. ALSTOM is mainly focusing on post-combustion (using chilled ammonia and amines) and oxy-combustion technologies. In 2007/08, ALSTOM entered into a series of agreements with utilities and oil companies to develop pilot plants using CO_2 post-combustion capture in Sweden, Norway, the USA and Canada, as well as pilot plants using the oxyfiring process in France and Germany.

Other current R&D programmes focus on enhancing the competitiveness of ALSTOM's product offering. For instance:

- in Transport, the new tramway platform, aimed at broadening the CITADIS™ range, will allow ALSTOM to gain an edge in markets where existing infrastructures set specific requirements, such as increased robustness to run on lesser quality tracks. New Transport products also aim at addressing environmental issues: for example hybrid locomotives will allow reduced diesel consumption and emissions; CORADIA™ Lirex, the new platform for regional trains, will be 95% recyclable and fitted with energy management systems to reduce the energy consumption of traction and auxiliary systems. This highly modular train will be able to operate at speeds up to 160 kph;
- in Power, R&D addresses new developments regarding performance improvements of GT26™ and GT13™ gas turbines as well as steam turbines and generators. Additionally a major upgrade of the 60 Hz GT24™ gas turbine is being launched. In the wind activity, ALSTOM is currently finalizing the development of a new 3 MW wind turbine.

(2) The Group's in-house training centre.

Optimising ALSTOM's industrial base

Capital expenditure (excluding capitalised development expenses) amounted to €374 million in 2007/08 *vs.* €280 million during the previous year.

Capital expenditure aims at continuously reinforcing the efficiency of the industrial base as well as at increasing the Group's production capacity particularly in fast growing markets. Main current capital expenditure programmes include:

- the construction of a new facility in Chattanooga, Tennessee, USA, to manufacture steam turbines (for thermal and nuclear applications), gas turbines, generators and related equipments. This major investment will enable the Group to adapt its industrial base to the increasing demand for power generation, particularly in the Americas;
- the construction of a new foundry in Elblag, Poland, in order to increase the production capacity of key components for turbine parts;
- the expansion of a blade manufacturing workshop in Morelia, Mexico, in order to increase the production capacity for turbine blades and meet the growing demand, particularly in the Americas;
- the development of production facilities for hydroelectric equipment in Tianjin, China, to serve the Chinese as well as export markets;
- the upgrade of a number of industrial sites in the Transport Sector to align them with the Group platforming strategy.

Enhancing the Group's financial structure

The Group's solid financial structure as of 31 March 2008 and its leading positions in both power and transport markets, allowed it to obtain an investment grade BBB+ and Baa1 rating by Standard & Poor's and Moody's respectively.

ALSTOM optimised its credit flexibility while seizing opportunities offered by the interest rates market. During 2007/08, the Group reimbursed in anticipation €866 million of bonds redeemable on 28 July 2008, 13 March 2009 and 3 March 2010. As of 31 March 2008, the total remaining bonds amounted to €834 million (in nominal value).

In July 2007, ALSTOM also signed an amendment to its bonding programme, extending its coverage to July 2010 (from July 2008 previously) while decreasing its costs.

Selected acquisitions to reinforce the strategic positioning

Following the acquisition of Power Systems Manufacturing (USA), Qingdao Sizhou (China) and Shenzhen Strongwish (China) in 2006/07, ALSTOM pursued its strategic positioning through selected acquisitions and partnerships during 2007/08.

ECOTÈCNIA

On 31 October 2007, ALSTOM acquired Ecotècnia, a Spanish manufacturer of wind turbines. Ecotècnia designs, assembles, installs and services a wide range of onshore wind turbines spanning 640 kW to 2 MW. Ecotècnia is also currently developing new wind turbines with a capacity of up to 3 MW. This acquisition enables ALSTOM to broaden its portfolio of technologies in power generation. Ecotècnia will benefit from ALSTOM's global reach and supply chain management.

WUHAN BOILER COMPANY

On 14 April 2006, ALSTOM signed an agreement for the acquisition of Wuhan Boiler Company Ltd (WBC), a Chinese manufacturer of boilers for steam power plant applications which is listed on the Shenzhen Stock Exchange. ALSTOM launched a General Offer on WBC shares on 11 July 2007 and announced the acquisition of 51% of the capital of WBC on 27 September 2007.

ALSTOM plans to build a new factory in the outskirts of Wuhan and to transfer WBC's production to this new facility. Fitted with the latest equipment, it will have the capacity to produce 600 MW super critical and 1,000 MW ultra-supercritical boilers, as well as large circulating fluidized bed boilers.

Recent acquisitions (*i.e.* including PSM, Shenzhen Strongwish and Qingdao Sizhou which were acquired during 2006/07) were integrated within ALSTOM during 2007/08 and positively contributed to the Group's performance.

JOINT VENTURES AND PARTNERSHIPS

In addition, ALSTOM also entered into a series of joint-venture and partnership agreements in 2007/08 in both its Power and Transport activities:

- in Russia: a joint venture was set up with Atomenergomash to manufacture the conventional island of nuclear power plants on the Russian market, based on ALSTOM's "Arabelle™" half-speed turbine technology. In Transport, ALSTOM and Transmashholding agreed to cooperate on the Russian rolling stock market. This cooperation will take the form of joint companies in the future. These agreements will allow ALSTOM to further increase its presence on the growing Russian market;
- in addition, two other joint ventures were set up in Transport: Signalling Solutions Limited, a joint venture between ALSTOM and Balfour Beatty, will serve the railway signalling markets in the United Kingdom and Ireland. Finally, ALSTOM and RENFE created IRVIA Mantenimiento Ferroviario, a Spanish joint venture in train maintenance.

GENERAL COMMENTS ON ACTIVITY AND RESULTS

Consolidated Key Financial Figures

The following table sets out, on a consolidated basis, some of the key financial and operating figures:

Total Group, actual figures

Year ended 31 March (in € million)	2008	2007	% Variation 2008/07 Actual	% Variation 2008/07 Organic
Order backlog	39,222	32,350	21%	23%
Orders received	23,472	19,029	23%	24%
Sales	16,908	14,208	19%	19%
Income from operations	1,295	957	35%	35%
Operating margin	7.7%	6.7%		
Net profit - Group share	852	547*	56%	
Free cash flow	1,635	745	119%	

* Restated for the change in accounting for pensions. Net income - Group share - before restatement was €448 million.

GENERAL COMMENTS ON ACTIVITY

Power market conditions were particularly favourable over 2007/08, with a high volume for new equipments worldwide: gas projects in Europe, environmental retrofit of coal power plants in order to reduce emissions in North America, coal, hydro and nuclear in Asia, hydro and gas projects in South and Central America. Middle East/Africa also saw a strong demand, notably in gas but also in coal. Demand was mainly driven by power shortages in fast growing countries (China, India, Russia, Middle East/Africa) and by replacement programmes in developed countries. The trend is going towards an increased diversification of technologies driven by the combination of several factors: increase in fuel prices, changes in environmental regulations, need for more flexibility to reach energy independence.

In this context, the Group has revised its market forecast upwards and expects the market to remain strong for the years to come with an average yearly volume ordered for new equipment of 185 GW for 2007-2011 to be compared with an average of 150 GW in 2005-2006. In addition, environmental regulations and the ageing of the installed base have increased the demand for environmental upgrades, retrofitting of existing facilities and services worldwide. As an example, the retrofit market is also expected to reach €4 billion per year on average in 2007-2011 compared to €2.5 billion on average in 2005-2006.

The Transport market showed a faster than anticipated growth in 2007/08. The activity was particularly strong for very high speed and mass transit. In Europe, demand was sustained, driven by urbanization, need for mobility as well as environmental concerns, which support cleaner transportation solutions and modal shift towards rail solutions. Markets are also evolving with the emergence of new players alongside public operators and the growing role of public-private partnerships. This overall positive trend is progressively expanding outside Europe, with emerging markets offering numerous opportunities (China, India…). In addition, the market is also growing in service and signalling activities.

ORDERS RECEIVED AND BACKLOG

Leveraging its strategic strengths, ALSTOM has fully benefited from strong demand in power and transport markets, achieving a very strong commercial performance during the year. ALSTOM recorded numerous successes throughout its activities with orders received reaching €23.5 billion, a 23% increase over 2006/07 (+24% on an organic basis):

- Power Systems' order intake was €11.6 billion in 2007/08, showing a 21% increase (22% on an organic basis). Power Systems booked 38 gas turbines (including 18 GT26™) in 14 countries, mainly in Europe (UK, Netherlands, Ireland, France…) and in Middle East/Africa (United Arab Emirates, Kuwait, Algeria, Morocco…). Major contracts were also recorded for other fuel types in 2007/08, including a very large order for steam turbines/generators for the biggest coal-fired plant in South Africa, as well as steam turbines/generators for the conventional island of nuclear power plants in China. Power Systems was also successful in booking several contracts for large hydroelectric projects in Brazil, China, Vietnam and Uganda;
- Power Service booked contracts for €4.4 billion, an 8% increase over the previous year (on an actual and an organic basis), including 10 long-term operation and maintenance contracts mainly related to gas fired plants (Bahrain, Brazil, India, Ireland, Italy, Mexico, Morocco, UK…). In addition, the Sector also booked several contracts for outages, upgrades and rehabilitation of plants. Finally, Power Service recorded a high number of small and medium-sized orders;

- Transport recorded key successes all across its product range, with orders booked for €7.5 billion, a 39% increase (40% on an organic basis). ALSTOM benefited from its excellence in very high speed by booking a major contract for 80 TGV(3) Duplex in France. Significant orders received during the year include, among others, PENDOLINO™ high speed trains for the Helsinki-Saint Petersburg line, as well as several contracts for metros (including a large order to provide 360 additional cars for the New York metro system, and orders for the cities of Sao Paulo, Mexico, Istanbul, Paris, Nanjing) and tramways (Dublin, Tram-Trains in France, Istanbul, Rotterdam). Finally, orders received were also sustained for regional and suburban trains (Germany, Spain, Australia), signalling (China, Belgium) and maintenance (UK, Spain).

At 31 March 2008, the Group's backlog amounted to €39.2 billion, representing 28 months of sales.

SALES

As a result of the growing backlog, the Group's sales reached €16.9 billion for 2007/08. This represents a 19% increase compared to 2006/07 on both an actual and organic basis.

Power Systems' sales were €7.8 billion, a 37% increase (35% on an organic basis), as major contracts booked during the last periods were being traded. Main contracts contributing to sales during the year include steam and gas turbines in Europe (*e.g.* Bulgaria, UK, Italy, Spain, Germany…) and in Middle East/Africa (*e.g.* Kuwait, Oman, Algeria…).

Power Service generated sales of €3.6 billion, a 13% increase (12% on an organic basis), with strong activity all across the Sector's product range (gas and steam turbines, generators, boilers…).

Sales for Transport reached €5.5 billion, a 4% growth (5% on an organic basis), as the increased backlog is being translated into sales. Transport delivered Electrical Multiple Units and locomotives in China, metros in the USA and TGVs(3) in France.

INCOME FROM OPERATIONS

Income from operations reached €1,295 million in 2007/08, from €957 million in 2006/07, a 35% increase (on both an actual and organic basis). The Group's operating margin rose to 7.7% compared to 6.7% last year. This significant improvement was driven by the high level of activity generated by the growing backlog, the trading of better quality orders, along with the continuous focus on contract execution and cost control.

All Sectors showed a strong increase in income from operations and operating margin: Power Systems more than doubled its income from operations from €201 million (3.5% of sales) to €415 million (5.3% of sales). Power Service improved it from €510 million (15.9%) to €592 million (16.4%). Transport also contributed positively as its income from operations rose from €350 million (6.6%) to €397 million (7.2%).

NET PROFIT (GROUP SHARE)

Net profit (Group share) amounted to €852 million in 2007/08 compared to €547 million in 2006/07 (restated for the change in pension accounting while net profit before this restatement was €448 million). The Group benefited from the increase in its income from operations, while restructuring charges, other non-operating expenses and financial expenses dropped significantly. The effective tax rate was around 25%.

FREE CASH FLOW

Free cash flow (as defined in paragraph "Use and reconciliation of non-GAAP financial measures") reached a record level of €1,635 million *vs.* €745 million over 2006/07 (which included a €300 million discretionary contribution to pension plans). Free cash flow generation was strong, mainly as a result of the increase in net income and strong working capital improvement supported by the continuous high level of orders intake.

(3) TGV is a trademark of the SNCF.

NET CASH

The Group's net cash position turned positive in 2007/08, from a net debt of €64 million at 31 March 2007 to a net cash of €904 million at 31 March 2008. This evolution in net debt/cash (as described in paragraph "Use and reconciliation of non-GAAP financial measures") is mainly the consequence of the Group's strong cash flow generation, taking into account €117 million dividends paid as well as acquisitions finalized during the year for a total of €635 million (including the incoming net debt of acquired entities).

Key geographical figures

GEOGRAPHICAL ANALYSIS OF ORDERS BY REGION OF DESTINATION

The table below sets out the geographical breakdown of orders received by region of destination.

Total Group, actual figures

Year ended 31 March (in € million)	2008	% of contrib.	2007	% of contrib.	% Variation 2008/07	
					Actual	Org.
Europe	11,709	50%	11,396	60%	3%	3%
North America	3,137	13%	3,232	17%	(3%)	4%
South and Central America	999	4%	1,157	6%	(14%)	(13%)
Asia/Pacific	3,198	14%	2,307	12%	39%	32%
Middle East/Africa	4,429	19%	937	5%	373%	389%
Orders received by destination	**23,472**	**100%**	**19,029**	**100%**	**23%**	**24%**

Europe represented 50% of the total order intake at €11,709 million, compared to 60% last year. The Group booked significant contracts in France (particularly the order for the TGV[4] Duplex for €2.2 billion in total), the UK (two turnkey power plants built around a total of 7 GT26™ gas turbines), Ireland and Greece. This represents a 3% increase compared to 2006/07 (on an actual and organic basis) as the Group had also booked a high number of turnkey power plants in Europe last year.

Orders in North America decreased slightly at €3,137 million mostly due to unfavourable USD/EUR exchange rate, but rose by 4% on an organic basis. Several orders were booked in the USA, mainly for power environmental systems and for 360 cars for the New York metro, as well as in Mexico for the retrofit of a nuclear steam turbine. North America accounted for 13% of orders in 2007/08.

Orders in South and Central America decreased by 14% (13% on an organic basis) at €999 million. The Group recorded contracts for hydro and metro projects in Brazil, while orders were at a high level last year in this region with a large metro project recorded in the Dominican Republic.

The order intake increased significantly in Asia/Pacific (39% on an actual basis and 32% on an organic basis) at €3,198 million. Main orders received included gas power plants in India (based on GT26™ turbines) and Australia (based on GT13™ turbines) as well as a hydro power plant in Vietnam, the largest ever built in South-East Asia. The Group also booked numerous projects in China, such as steam turbines/generators packages for conventional islands of nuclear power plants as well as a total of 6 hydro orders. In the Asia/Pacific region, ALSTOM also benefited from the integration of Qingdao Sizhou and Wuhan Boiler Company. In addition, Transport booked orders for X'TRAPOLIS™ suburban trains in Australia and a metro project in China. In total, Asia/Pacific accounted for 14% of the Group's order intake.

Finally, the order flow in Middle East/Africa was particularly strong in 2007/08 as orders received amounted to €4,429 million, around five times the level of the previous year (€937 million in 2006/07). Half of the gas turbines booked this year were sold in Middle East/ Africa (Algeria, Ghana, Kuwait, Morocco, United Arab Emirates). More particularly, ALSTOM received two major orders in this region: 6 turbine islands for the biggest coal-fired power plant in South Africa (€1.4 billion) and a power and desalination plant based on 5 GT26™ gas turbines in the United Arab Emirates (€1 billion).

(4) TGV is a trademark of the SNCF.

GEOGRAPHICAL ANALYSIS OF SALES BY REGION OF DESTINATION

The table below sets out the geographical breakdown of sales by region of destination.

Total Group, actual figures

					% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	% of contrib.	2007	% of contrib.	Actual	Org.
Europe	8,308	49%	6,922	49%	20%	18%
North America	3,109	19%	2,442	17%	27%	34%
South and Central America	881	5%	854	6%	3%	1%
Asia/Pacific	3,058	18%	2,505	18%	22%	20%
Middle East/Africa	1,552	9%	1,485	10%	5%	6%
Sales by destination	**16,908**	**100%**	**14,208**	**100%**	**19%**	**19%**

Sales in Europe represented 49% of the Group's total sales (stable percentage compared to last year) at €8,308 million, a 20% increase *vs.* 2006/07 on an actual basis (18% on an organic basis). Significant contracts booked in Europe in the previous periods started being traded (such as turnkey power plants in Bulgaria, UK, France and Spain).

The Group's sales in North America were €3,109 million, a 27% increase (34% on an organic basis). All three Sectors contributed to this increase, particularly in the USA, with good activity in environmental control systems as well as in metros (for the cities of New York and Washington). Sales in North America amounted to 19% of total sales.

Sales in South and Central America increased by 3% at €881 million, a power contract traded in Brazil offsetting the completion of Transport projects in Venezuela and Argentina.

ALSTOM's sales in Asia/Pacific amounted to €3,058 million, a 22% increase (20% on an organic basis). The growth of sales is mainly due to the execution of projects in China for Transport (Electrical Multiple Units, locomotives), in China, Australia, India and Vietnam for Power Systems, as well as the integration of the acquisitions in China (Qingdao Sizhou and Wuhan Boilers). Sales in Asia/Pacific amounted to 18% of total sales.

Sales in Middle East/Africa increased by 5% at €1,552 million with a good level of activity in the gas service business and the trading of contracts for GT13™-based turnkey plants in Kuwait and Algeria and for tramways in Tunisia and Algeria, while large contracts in Saudi Arabia and Dubai were close to completion.

GEOGRAPHICAL ANALYSIS OF SALES BY REGION OF ORIGIN

The table below sets out the geographical breakdown of sales by region of origin.

Total Group, actual figures

					% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	% of contrib.	2007	% of contrib.	Actual	Org.
Europe	11,562	68%	9,912	70%	17%	15%
North America	3,041	18%	2,409	17%	26%	34%
South and Central America	528	3%	481	3%	10%	6%
Asia/Pacific	1,511	9%	1,248	9%	21%	15%
Middle East/Africa	266	2%	158	1%	68%	83%
Sales by origin	**16,908**	**100%**	**14,208**	**100%**	**19%**	**19%**

Sales from Europe increased by 17% at €11,562 million, mainly as a consequence of growing Power Systems sales.

North American sales increased by 26% (34% on an organic basis) at €3,041 million, due to boiler environmental services and the execution of metro contracts in the USA.

Sales in South and Central America increased by 10% at €528 million. This evolution was mainly due to hydro business in Brazil.

Sales from Asia/Pacific increased by 21% (15% on an organic basis) at €1,511 million, as Power Systems' sales increased in Australia, India, and China while sales of Power Sectors benefited from the acquisition of Wuhan Boiler Company and Qingdao Sizhou in China.

Sales from Middle East/Africa increased by 68% at €266 million, mainly as a consequence of growing sales generated by Power Systems and Power Service in Saudi Arabia and the United Arab Emirates.

OUTLOOK

ALSTOM will continue to select the most profitable orders in order to further improve the quality of its backlog. The Group will also focus on the execution of its contracts by strengthening project management throughout the Group, continuously develop its human resources and optimise its industrial footprint.

Given the strong and healthy backlog, the Group's operating margin in March 2010 should exceed the previous forecast and reach around 9%, with an operating margin between 10% and 11% for the combined Power Sectors and between 7% and 8% for the Transport Sector. Based on current market conditions and trends (as described above), the Group's operating margin should further increase beyond 2009/10.

These targets are based on a number of assumptions and actions, including the correct execution of the contracts in the Group's backlog, the intake of profitable orders and the optimisation of the cost base. For each of the Sectors the following assumptions were taken:

- Power Systems aims to increase the profitability of its orders through selective bidding combined with product cost reductions while project execution would continue to improve. The plan also includes seizing profit opportunities on certain targeted markets, such as environmental-related projects. The Sector plans to differentiate itself through plant integration and clean coal capabilities;
- Power Service aims to develop services based on its field presence, manufacturing and technical expertise. The Sector intends to maintain operating margin notably through cost base improvement;
- Transport's objective is to reach the targeted operating margin through growing sales, improvements in contract execution and further cost reduction based upon standardisation, sourcing and cost adjustments. The Sector plans to keep its technological edge thanks to new products under development.

The foregoing are "forward-looking statements" and as a result they are subject to uncertainties. The success of the Group's strategy and action plan, its sales, operating margin and financial position could differ materially from the goals and targets expressed above if any of the risks described in the Risk section of the Annual Report for fiscal year 2007/08, or other unknown risks, materialise.

Sector review

The activities of the Group are organised into three Sectors:
- Power Systems Sector;
- Power Service Sector;
- Transport Sector.

Power Sectors

Together, ALSTOM's Power Systems and Power Service Sectors offer a comprehensive range of power generation solutions, from integrated power plants to all types of turbines (gas, steam, hydro, wind), generators, boilers, emission control systems, as well as a full range of services, including plant modernisation, maintenance and operational support.

These Sectors have a common commercial organisation called "Global Power Sales", which ensures the "one face to the Customer" principle through the coordination of commercial activities.

Offering

POWER SYSTEMS OFFERING

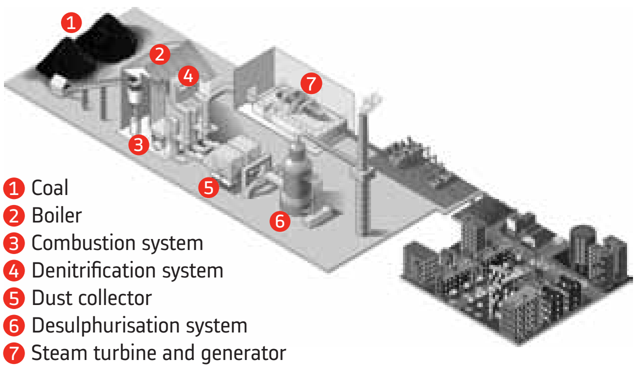
The Power Systems Sector designs, manufactures and supplies the broadest range of products and systems in the power generation industry for coal, gas, oil and biomass power plants. It also supplies wind and hydro equipment as well as conventional islands for nuclear power plants.

All components can be integrated in order to build the most efficient and the cleanest power solutions for the customers. ALSTOM has an extensive experience in retrofitting, upgrading, refurbishing and modernising existing power plant equipment. This knowledge is of great value as the worldwide installed base is ageing and needs to operate under more and more stringent environmental regulations.

The Power Systems Sector operates in all geographic markets:
- ALSTOM's main manufacturing sites for steam turbines and generators are located in Birr (Switzerland), Belfort (France), Beijing (China) and Wroclaw (Poland);
- boilers are mainly manufactured in Durgapur (India), Surabaya (Indonesia), Brno (Czech Republic) and Wuhan (China);
- Heat Recovery Steam Generators are mainly manufactured in Surabaya (Indonesia);
- main manufacturing sites for gas turbines are located in Birr (Switzerland), Mannheim (Germany) and Elbag (Poland);
- hydro turbines and generators are mainly manufactured in Grenoble (France), Baroda (India), Taubaté (Brazil), Tianjin (China), Birr (Switzerland) and Tracy (Canada);
- turbine islands for nuclear power plants are manufactured in Belfort (France), and a factory is also under construction in Russia;
- wind turbines are manufactured in several sites in Spain.

ALSTOM is building a new facility in Chattanooga, Tennessee, USA, to manufacture steam turbines for nuclear and thermal power plants, gas turbines, generators and related equipment.

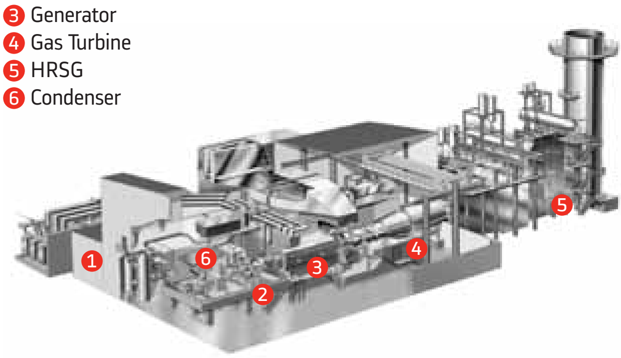
Coal power plant



1 Coal
2 Boiler
3 Combustion system
4 Denitrification system
5 Dust collector
6 Desulphurisation system
7 Steam turbine and generator

Combined cycle power plant

1 Control Systems
2 Steam Turbine
3 Generator
4 Gas Turbine
5 HRSG
6 Condenser



Coal-fired power plants

With over a century of experience in building coal-fired power plants, ALSTOM has the expertise, the technology and the product portfolio to meet its customers' specific requirements, combining high performance and reliability with total environmental compliance.

ALSTOM has installed around 1,450 steam turbine and generator sets and more than 100 turnkey steam power plants, totalling 500 GW worldwide.

INTEGRATED SOLUTIONS

ALSTOM provides a comprehensive range of flexible integrated solutions for various output. The coal-fired power plants can burn any quality of coal, in a single or multi-unit arrangement using different types of boilers.

ALSTOM's modular concept calls on proven, pre-engineered solutions tailored to meet each customer's specific needs.

Due to the broad combination of different elements and technologies used in coal-fired power plants, these projects are inherently complex and require specialist expertise. ALSTOM manages large-scale and complex projects, providing the entire range of services from technical engineering and sub-contracting, construction and commissioning.

ALSTOM's technology provides optimum performance for all steam cycles from 100 MW. Better performance combined with clean technologies significantly reduces the environmental impact of the power plant.

PRODUCTS

Steam Turbines

ALSTOM offers a comprehensive portfolio of steam turbines for all fossil fired power plant applications, with outputs up to 1,200 MW.

Turbogenerators

With a comprehensive range of turbogenerators from 40 MW to 1,200 MW fossil fired power plants, ALSTOM proposes optimal designs for the entire range providing the most reliable and economical solution in each power range.

Boilers

ALSTOM offers a broad range of equipment for boilers, including:

- suspension-fired boilers, 50-1,200 MW, including advanced pulverized coal technologies;
- circulating fluidised bed (CFB) boilers, 50-600 MW, and hybrid fluidised bed boilers; and
- boiler products for energy recovery, including air pre-heaters and coal pulverizers and mills.

Control Systems

ALSTOM delivers state-of-the-art control systems and solutions to control, monitor and manage power plants and equipments (boilers, steam turbines…).

CLEAN COMBUSTION

ALSTOM's expertise in boiler technologies and firing systems provides the perfect blend of knowledge to ensure that each fuel burns cleanly. ALSTOM has designed a family of low-NOx tangential and wall-fired combustion systems to significantly abate emissions, such as nitrogen oxides.

ALSTOM is the world's leading supplier of air quality control systems to the power generation industry and for many other industrial applications. The wide range of post-combustion solutions addresses all customers' existing and future emission-compliance needs for all traditional pollutants:

- control of sulphur dioxide (SO_2): up to 98% sulphur reduction;
- control of nitrogen oxide (NOx): up to 90%;
- control of Particulates: ALSTOM is PM 2.5 compliant;
- control of Mercury emissions: up to 90%.

The next challenge will be the capture of CO_2. ALSTOM is testing various solutions on an industrial scale. (see Research & development page 24).

Gas-Fired Power Plants

ALSTOM has leading experience and knowledge in simple cycle, cogeneration and combined cycle projects for gas turbine-based power plants. Today ALSTOM-built power plants produce over 100 GW of power for various power generation and heat applications.

INTEGRATED SIMPLE CYCLE POWER PLANTS

Today, open-cycle gas turbines are used whenever power generation capacity needs to be built rapidly. ALSTOM is the key supplier for many customers who are looking for reliable commitments and on-time delivery.

INTEGRATED COMBINED CYCLE POWER PLANTS

For customers who wish for efficient, flexible and competitive power generating capacity, ALSTOM proposes modular combined cycle plant designs that are optimised with regards to performance, utilisations, emissions and installation times. The ALSTOM-made reference modules are adaptable to various site conditions and to individual power plant requirements. Additionally, the integrated plant design provides numerous advantages, such as optimised installation times, high-performance and low-emission features and high operational flexibility features.

ALSTOM's project capabilities and references also encompass special applications, for example: the cogeneration for district heating, industrial processes or desalination; and the conversion of simple cycle into combined cycle plants.

PRODUCTS

Gas Turbines

ALSTOM's gas turbines (ranging from 50 to 280 MW) are successfully operating in open, combined and/or cogeneration applications.

ALSTOM's gas turbine products are:
- GT26™ (281 MW) for 50 Hz
- GT24™ (188 MW) for 60 Hz
- GT13™E2 (172 MW) for 50 Hz
- GT11™N2 (115 MW) for 50 and 60 Hz
- GT11™NM (87 MW) for 60 Hz
- GT8™C2 (56 MW) for 50 and 60 Hz

Turbogenerators

Most of ALSTOM's turbogenerators for combined cycle power plants use air-cooled technology. This technology combines easy maintenance with high efficiency of nearly 99%. Continuous development enables ALSTOM to build the world's largest air-cooled turbogenerator in operation, with a 320 MW (400 MVA) rating.

Control Systems

ALSTOM offers state-of-the-art control systems including: Plant Distributed Control Systems (DCS), related monitoring and plant management functions.

HRSG (Heat Recovery Steam Generator)

ALSTOM offers a complete range of HRSGs that provide high performance in cycling operations, cost-effective construction, and efficient operations. ALSTOM has unparalleled experience in this area, from horizontal and vertical drum-type HRSGs to advanced once-through HRSGs.

Hydro Power

ALSTOM is the market leader for hydro turbines and generators and has supplied 25% of the world's installed hydro power generation capacity. (Source: ALSTOM).

All core equipments are produced in-house.

As part of a global cooperation with Bouygues, a joint venture 50%-50% in hydro – called ALSTOM Hydro – was created between ALSTOM and Bouygues in 2006.

ALSTOM HYDRO POWER SOLUTIONS

Water is the world's largest consistent source of renewable energy allowing to reduce carbon dioxide emissions and avoid further global warming.

ALSTOM Hydro currently offers the world's most comprehensive range of power generation services and equipment for all kinds of hydro projects, from small to large, from single equipment to complete turnkey solutions.

ALSTOM Hydro offers the customers a single point-of-contact to coordinate and interact with all related parties (consulting engineering, civil engineering, etc.) and acts as the consortium leader for major projects (where required), taking full responsibility for the project and its optimisation.

ALSTOM Hydro's power plants combine reliability with very high efficiency, converting more than 90% of available energy into electricity.

For medium and small power ranges, ALSTOM Hydro has also developed a range of turnkey solutions based upon standardised electromechanical equipment for industrial and agricultural applications, to satisfy all requirements from 5 MW to 30 MW.

PRODUCTS

Turbines up to 1,000 MW

ALSTOM Hydro provides a full range of hydro turbines, up to 1,000 MW, to meet all industry applications, whether it be for new-build or refurbishment projects. The wide range of hydro turbines includes Francis turbines, Kaplan turbines, pump turbines, Pelton turbines, bulb turbines and speed governors.

Generators up to 1,000 MVA

ALSTOM Hydro's generators produce up to 1,000 MVA for any hydro power application, including large and medium hydro generators, small generators, bulb generators, diesel generators, and excitation systems.

Hydro-Mechanical Equipment

ALSTOM Hydro designs and manufactures hydro-mechanical equipment for hydro power plants as well as for waterways and irrigation systems.

Balance of Plant and Control Systems

ALSTOM Hydro's core competencies in control systems span all types of hydro power plants to optimise power production. The control systems enable fast and easy regulation so that a shortfall of generation or a peak demand can be dealt with within seconds.

Nuclear Power Plants

Nuclear energy is becoming more and more topical in many countries. ALSTOM is one of the major players in the world in the field of nuclear power stations, with extensive worldwide experience and know-how in conventional islands and services for nuclear power plants.

ALSTOM offers integrated conventional islands as well as specific products. ALSTOM has one of the best turbine technologies and is the only turbine manufacturer able to fully design, engineer and manufacture all the main equipments of a conventional island for any type of civil nuclear reactor.

ALSTOM is also market leader in the retrofitting business, with a market share of about 50% (Source: ALSTOM). Retrofitting a nuclear power plant turbine and generator package by replacing various key components, such as turbine rotors, whilst keeping most of its basic features, allows a significant improvement in power output and life duration. By 2015, the majority of the nuclear installed base will be over 40 years old, creating a strong potential demand for retrofit.

NUCLEAR SOLUTIONS

ALSTOM's core competencies cover all phases of implementation of the power conversion systems, starting from licensing, conventional island basic and detail design, including general layout, civil work studies, supply of equipment, engineering of electrical equipment and control, documentation and training, technical assistance to erection up to commissioning and performance testing.

PRODUCTS

Steam Turbines

ALSTOM has produced and installed around 180 steam turbines for nuclear plants, making it a clear market leader. They operate all over the world and have demonstrated a high level of reliability and performance.

ALSTOM has produced the world's largest steam turbines with four 1,550 MW units.

Turbogenerators

ALSTOM's turbogenerators for nuclear power plants are the largest turbogenerators in operation worldwide, matching the output of the biggest reactors. These generators are designed to achieve greatest reliability and life-time targets and can offer today up to 1,800 MW output.

ALSTOM has built around 30% of the world's fleet of turbogenerators for nuclear power plants. (Source: ALSTOM)

Wind Power

ALSTOM believes in Wind as a viable source of clean power to help meet today's energy challenges and wants to become a major player in this field. The recent acquisition of Ecotècnia, a Spanish wind turbine company, has provided the adequate foothold for ALSTOM's entry into this activity.

Since 1981 Ecotècnia was a pioneer in the development of wind power as a reliable source of clean power. The company grew from a small local wind equipment supplier into an international manufacturer, having equipped more than 72 wind farms with 1,500 wind turbines in Spain, France, Italy, Portugal, Japan, India and Cuba. Joining forces with ALSTOM puts Ecotècnia in a unique position of being able to accelerate its expansion in this fast-growing market.

WIND SOLUTIONS

From site development, system design, key components design and manufacturing, assembly, site installation and operation and maintenance, ALSTOM is present throughout the entire value chain.

PRODUCTS

The product portfolio ranges from 0.64 to 2 MW turbines, with a 3 MW prototype currently under development. They offer dynamic control of the active and reactive power and supply continuity against voltage drop-downs. The 1.67 and 2.0 MW wind turbines combine variable rotor speed, independent pitch control in each blade and increased rotor size to offer higher energy production, smoother integration into the electrical grid, higher environmental compatibility and greater cost-effectiveness.

Retrofit for the installed base

An entire generation of power plants built in the last 10 to 40 years faces a serie of existing and future emission regulations to which they must comply. In order to respond to these obligations and boost power plants' efficiency, availability and extend their lifetime, ALSTOM provides them with state-of-the-art technologies, ranging from comprehensive retrofits for boilers, turbines and air quality control systems to plant upgrades.

Power Systems also has unique value-integration skills that combine boiler and turbine retrofits to increase the plant's economic and environmental benefits, whatever the origin of equipments.

POWER SERVICE OFFERING

The Power Service Sector provides a complete range of power generation services, support and equipment, to customers who operate thermal power and industrial plants in all geographic markets.

The Sector offers a portfolio of products and services that covers:

- power plant management: tailored service packages, including Operation and Maintenance agreements for a plant's full life cycle (O&M);
- advice and support: technical services, performance analysis, assessment, training, monitoring and diagnostics;
- performance improvement: modernisation, upgrades and lifetime extension;
- field service: outage management, field repairs, erection, commissioning, construction and supervision;
- new spare parts and reconditioned components.

With the industry's widest range of services, Power Service delivers measurable results aligned with its customers' business objectives for asset life-cycle management, performance improvements, risk management, cost management and environmental compliance.

The Power Service Sector created the Global Field Service Network (GFSN) to coordinate field service initiatives on a global scale, thereby guaranteeing ALSTOM customers expert on-the-ground business partners, regardless of their location. The Sector has more than 19,000 specialists in 25 technology-related product centres, and some 200 local service centres operating in 70 countries around the world.

Combined cycle gas power plants

Power Service provides comprehensive support, customised solutions and products for the entire gas turbine simple and combined cycle power plant.

The Sector offers cost-effective packages for the whole power train, as well as for instrumentation, control and electrical systems, balance of plant and auxiliaries. Deep plant knowledge and expertise in product and component integration enables Power Service to provide high-value solutions that keep customers' plants competitive throughout their life cycle. Component improvements or upgrades and life extension packages ensure full plant performance, operational flexibility, and compliance with the most stringent emission regulations.

Services and solutions include monitoring and diagnostics based upon the powerful AMODIS™ platform. Comprehensive plant assessments are offered for performance optimisation and operational improvement, risk and lifetime assessment. With the Plant Support Centre OEM, recommendations and troubleshooting are available 24 hours a day, 7 days a week. Tailor-made operation and maintenance and long-term service agreements complete the offering.

Steam power plants (coal and nuclear)

Worldwide, over 50% of steam power plants are more than 25 years old and operate in markets characterised by more demanding environmental and economic conditions (Source: ALSTOM). Power Service supports customers in optimising their plants with regard to environment, efficiency, power output, flexibility, availability, reliability and lifetime extension. The Sector covers the full range of steam plants, including the conventional island of nuclear power plants. The focus is to not only capitalise on component-related potentials, but also to elaborate integrated systems and total plant upgrades. As OEM for all major components, Power Service's plant design know-how ensures it can deliver the most cost-effective solutions. Power Service is also capable of acting as a general contractor to the customer, thereby minimising the number of customer - supplier interfaces. Finally, Power Service offers plant operation and maintenance services.

Gas Turbines

Strong cost pressures – especially the ever-increasing cost of natural gas – mean that turbine performance, reliability and lifetime extension are paramount customer concerns.

Power Service commits significant R&D resources to continually developing and delivering innovative upgrade solutions for its gas turbine fleets. It also offers numerous component improvement packages for turbines, compressors and combustors.

The Sector's upgrade philosophy is to introduce the latest field-proven technology into existing turbine designs to keep the engines competitive throughout their life cycle. Upgrades include performance improvement packages that enable plant owners to produce more power and utilise less fuel in so doing. Extending the operation intervals between major outages enables more production time and reduces maintenance costs. Modern combustion technology allows lower fuel utilisation per kWh produced, thereby driving environmental performance by reducing NO_x and CO_2 emissions. Power Service's innovative reconditioning services cover the full range of gas turbine noble parts. Reconditioning solutions extend component lifetime and optimise turbine life cycle economics.

Steam Turbines

Demand for performance upgrade solutions that can also reduce emissions is accelerating, and with an ageing installed base, the demand for lifetime extension solutions combined with steam turbine technology upgrades is increasing. Power Service has a proven track record of lifetime extension and upgrade solutions in European and US markets and is expanding this product offering to steam turbine fleets around the world. Significant investment in economic engineering solutions to improve steam path efficiency and reduce pressure loss in valves means the steam turbine product line is positioned for solid growth in the coming years in core markets such as Europe and the USA, while continuing to expand in Asia.

Generators

As the average age of power plant generators increases worldwide, maintenance, lifetime extension and failure-risk management become evermore critical with respect to reliability and consequently costs. Plant operators need effective risk management for components such as rotors and stators. Power Service has developed monitoring and diagnostics systems, which efficiently support our lifetime assessment solutions and therefore reduce unscheduled downtime. As the global leader in fast rewind solutions, Power Service's time-to-restart is excellent – as is its record in harnessing ALSTOM's latest winding technologies to increase per-unit output, reliability and availability.

Boilers

To meet growing demand for power generation at a lower cost, power generators require greater availability, reliability and efficiency on their existing boiler fleet.

ALSTOM has been the world leader in steam generation for over a century, benefiting from its experience, capabilities and responsive service on boiler island equipment. ALSTOM's expertise in power engineering and process design, together with its relationships with key suppliers, enables the Sector to continuously bring to the market the latest product upgrades for all major brands of coal pulverizers, low emission burners, pressure parts and ash handling equipment. The Sector's goal is to assist boiler owners in achieving optimum plant performance by reducing maintenance costs and improving availability and combustion efficiency.

Power Service partners with boiler operators in the utility and industrial sectors to meet new operational challenges with advanced products, engineering competency and experienced technical service support to assess equipment condition and ensure optimal operation. Typical services range from boiler inspection and dedicated plant performance engineering to equipment reconstruction and inventory management programmes.

Balance of plant, instrumentation and control

ALSTOM's know-how spans the numerous disciplines required for power plant operation and maintenance. Whether mechanical, hydraulic, electrical or electronic equipment, from engineering conception to custodial care, Power Service has the people and experience customers require.

In the area of instrumentation and control, ALSTOM continues to invest strongly in developing innovative, cost-effective solutions. Power Service experts integrate modern control architectures into existing systems, and offer a comprehensive plant-assessment and optimisation process to ensure that every balance of plant subsystem can maintain or improve its original performance and efficiency.

Monitoring and diagnostics

A key way to improve a power plant's competitive position is to maximise knowledge about the plant's past and current operational performance. Using specialised monitoring and diagnostics equipment to collate this data is a first step towards optimising the plant's operation and minimising the risk of unplanned shutdowns.

ALSTOM's portfolio features two major monitoring and diagnostics product lines.

First, monitoring and diagnostics services based on the AMODIS™ system provide monitoring and diagnostics functionality for the complete plant, both locally on site and remotely in ALSTOM's service centres in order to better:
- recognise degradation of machine components at an early stage to minimise the risk of unplanned shutdowns and extend the equipment's overall lifetime;
- increase availability and reduce maintenance downtime through implementation of a predictive maintenance policy;
- optimise asset performance.

Secondly, following the acquisition of Strongwish, ALSTOM also provides attractively priced, state of the art vibration monitoring and diagnostics equipment to address the largest segment of the overall monitoring and diagnostics market.

Environmental equipment

More stringent environmental regulations make it necessary for power and industrial plant operators to find ways to control and lower emissions levels from their facilities. This means improving the performance of their air pollution control equipment.

Power Service specialises in developing cost-effective solutions to upgrade and extend the life of environmental systems. The Sector develops dedicated environmental services that bring operation costs down and let plant operators focus on their core business.

Environmental service offers cover electrostatic precipitators, fabric filters, flue gas desulphurisation, DeNOx systems and more globally, the entire flue gas line. This range of services extends to enhanced spare parts, improved equipment designs, optimised maintenance technologies, and value based comprehensive service programmes tailored to customer needs.

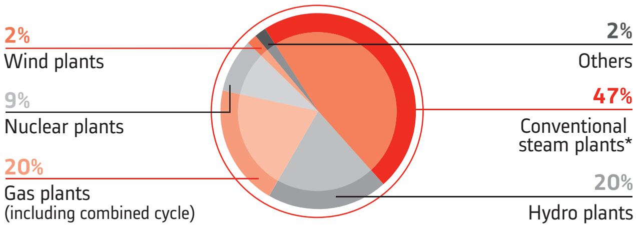
In addition, advanced control systems, which allow for dramatic emission reductions whilst retaining full control of operations, are a powerful and proven set of solutions benefiting from dedicated R&D.

These service activities cover original ALSTOM equipment as well as all other main original equipment manufacturers.

Industry characteristics

The world's installed power generation capacity as of 1 January 2007 was estimated at around 4,415 GW. The chart below sets out the breakdown of this installed base by technology.

Installed base as of 1 January 2007



*66% of steam plants are fuelled by coal, 18% by gas, 13% by oil, 3% others.

Source: ALSTOM, UDI.

Investments needed in new power generation over the next decades are extremely important: according to IEA (International Energy Agency) (WEO 2006), they should represent an average of more than €150 billion per year over the period until 2030.

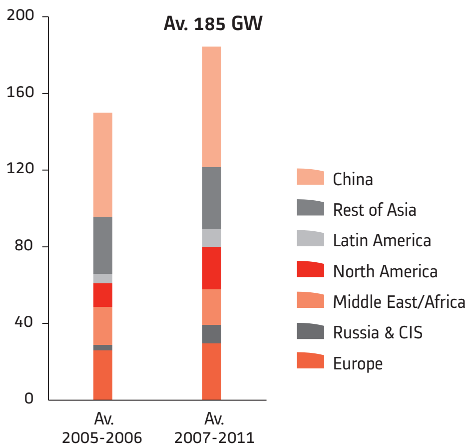
MARKET EVOLUTION

Following a period of intense growth in power infrastructure investment in the United States from the late 1990s, 2002 saw a sharp drop in the level of new orders for power generation equipment. Since 2003, the world economy has been driven by unprecedented growth in Asia – especially China and India – where there is a buoyant demand for new power plants. This market shift – decline in North America, growth in Asia – also resulted in a technology switch from gas to coal and hydroelectric power, which account for a large proportion of the available resources in this region. Alongside continued healthy demand for conventional steam plants and hydro plants, 2007 also saw a high level of gas plant orders. Strong demand for gas-fired technologies in the Middle East and Europe resulted in a fairly balanced technology split. 2007 itself has been buoyant, with strong and simultaneous demand for almost all technologies and in almost every region in the world. In the forthcoming years, ALSTOM continues to see a balanced regional and technological mix of the large power plant market, with at least two-thirds for fossil power plants (steam plants - mainly burning coal/gas plants), a strong hydro market, a nuclear revival and a growing demand for wind. In the light of CO_2 concerns and continued portfolio balancing, several countries in the Middle East, Africa, Asia, Europe and the Americas have expressed nuclear intentions.

Asia is likely to remain the biggest market globally, with China and India representing key parts of it. The rest of the world market will be distributed among the Middle East, including big projects for Integrated Combined Water & Power Plants (IWPP), Europe – gas dominated, but with a strong coal market in Germany and big investment plans in Russia. Markets will also grow in the Americas, with growing needs in Latin America and a new investment cycle to start in North America, including for nuclear.

The graphs below show the evolution of the large power plant market by region and by technology over the 2007-2011 period, covering ALSTOM's scope of activity:

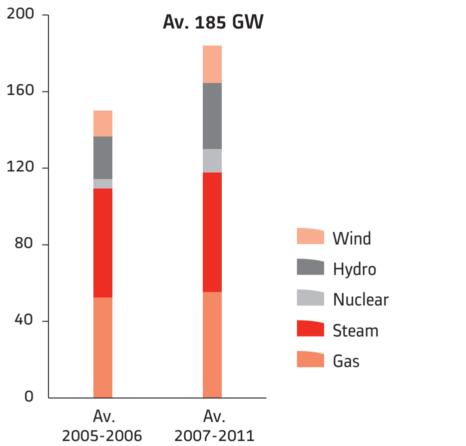
Order per country in GW



Note: order forecasts include large gas power plants, large conventional steam power plants, combined cycle power plants, nuclear, hydro and wind plants.

Source: ALSTOM.

Order per technology in GW



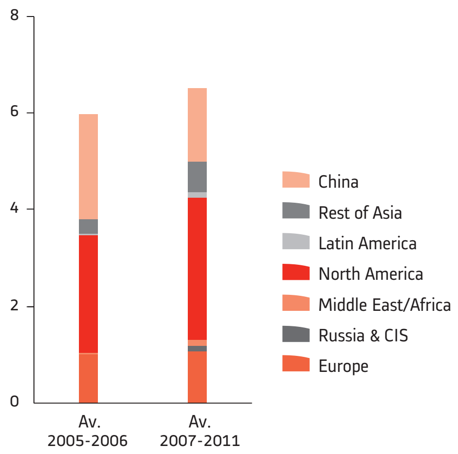
Note: order forecasts include large gas power plants, large conventional steam power plants, combined cycle power plants, nuclear, hydro and wind plants.

Source: ALSTOM.

Environmental products and retrofit markets should offer strong opportunities in developed countries, mainly driven by more stringent regulations and ageing of the installed base.

The graphs below show the evolution of the environmental and retrofit markets over the 2007-2011 period:

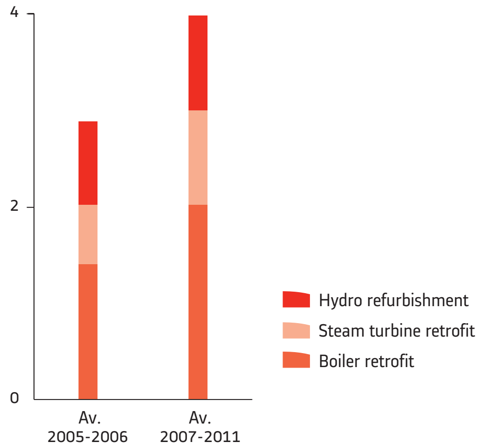
Environmental product market in billion of euros*



*Excluding inflation, power market only.

Source: ALSTOM.

Retrofit market in billion of euros*



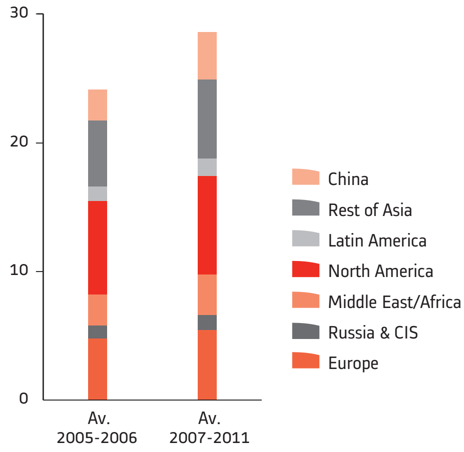
*Excluding inflation.

Source: ALSTOM.

The service market should continue to be healthy, notably in Europe and in the USA, where needs for maintenance and life time extension are becoming more and more important. Service should accelerate in Asia by addressing environmental issues and improvement of plant performance. It generates an annual volume of circa €25 billion, with a predicted market growth rate of close to 5% p.a. through 2015.

The graph below shows the evolution of the service market by geography over the 2007-2011 period, considering ALSTOM's scope of activity:

Service market in billion of euros*



*Excluding inflation. Thermal power stations >20 MW only.

Source: ALSTOM.

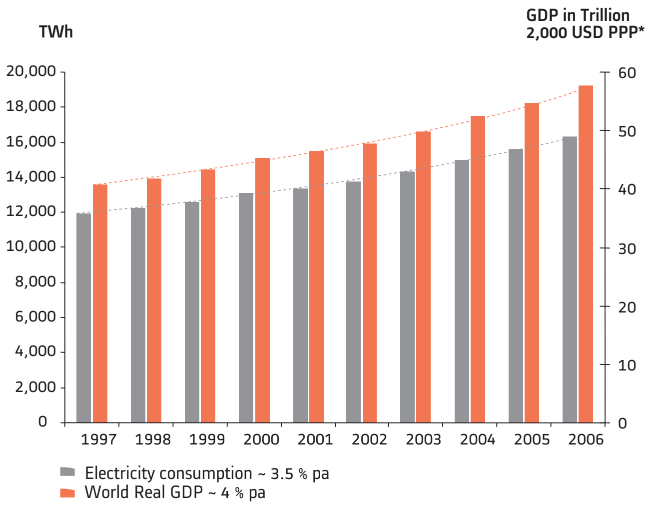
MARKET DRIVERS

Demand for power generation equipment tends to be driven by a variety of complex and inter-related factors, notably:

Economic growth

Power consumption and GDP are tightly linked. Economic development is driving consumption of electricity, particularly in countries with rapid industrialisation. In China for example, power consumption growth has outpaced GDP growth, driven by strong production from heavy industry and growing electrification in rural areas. In developed countries, the ratio of electricity consumption to GDP, known as electricity intensity, is progressively declining due to a shift of the economy to more services.

Electricity consumption growth - linked to GDP



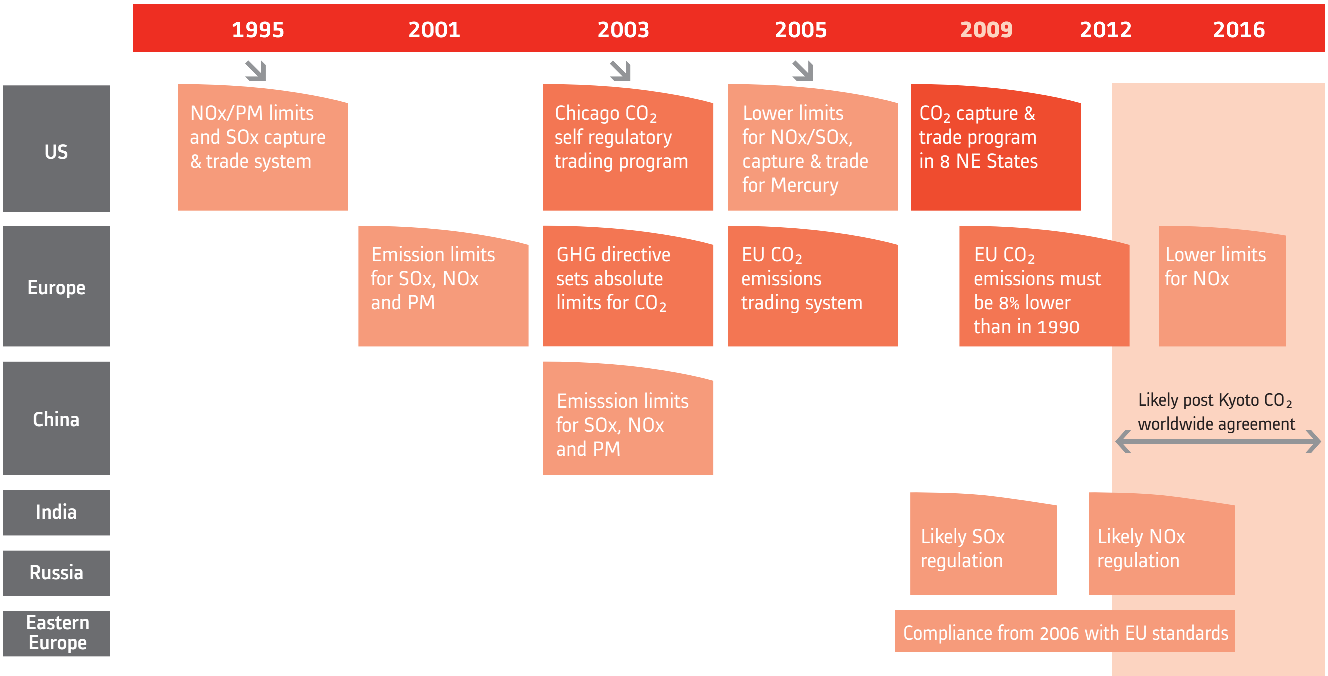
*Using Purchasing Power Parity, GDP Growth using exchange rate on the same period was 3.1%.

Source: ALSTOM, IEA, Worldbank.

Environmental concern

Environmental concerns have been the most widely debated topics over recent years. A real change in behaviour is visible, with more stringent regulations being implemented all over the world. Global warming is a fact now accepted by the majority of scientists, politicians and general public, and man-made greenhouse gases such as CO_2 are seen as the major root cause. The power sector, as one of the biggest emitters of CO_2, is looking at ways to dramatically reduce its carbon footprint. Legislators are beginning to put in place the policies that will be needed to drastically reduce CO_2 emissions in the medium- to long-term.

Environmental legislation: a main driver for change



Source: IPCC, ALSTOM.

These environmental concerns have not only created increased demand for clean-coal technologies, but also for refurbishment and for the integration of environmental control systems in existing power plants - a field where ALSTOM is particularly strong.

The outlook for the environmental equipment market is positive, including in Asia, with current years being exceptionally strong for DeSox systems in North America and in Europe due to compliance deadlines.

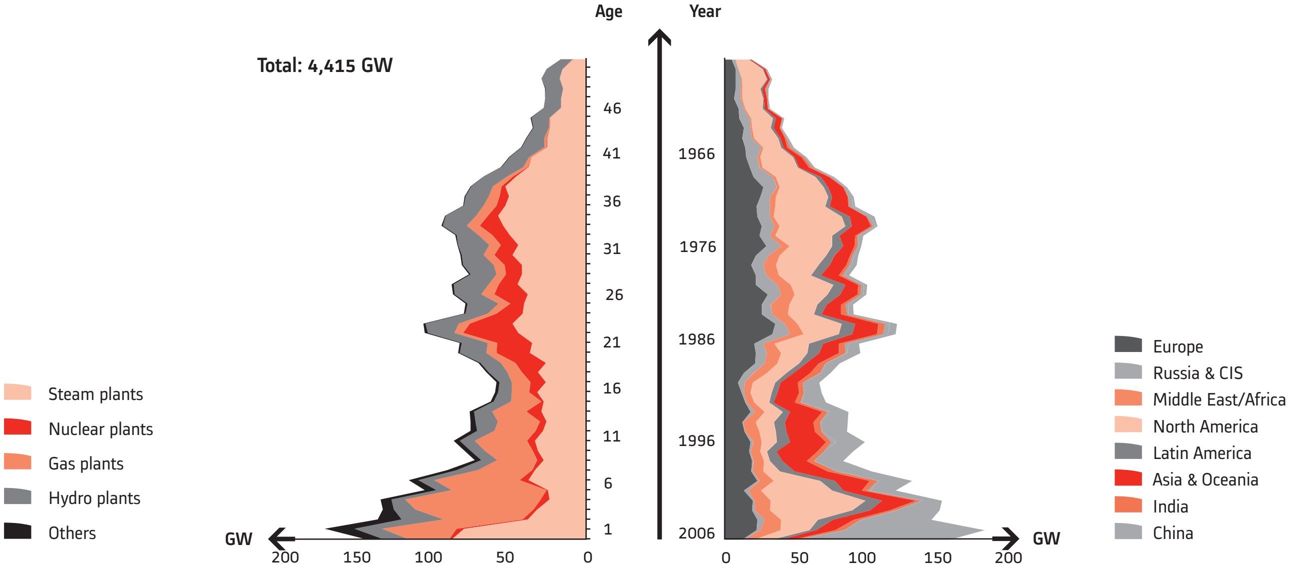
Ageing installed base of power plants

The ageing installed base along with more stringent environmental regulations and increased fuel prices will lead to a higher demand for retrofit. In recent years, demand for maintenance and refurbishment has been strengthened by a general trend among power producers to seek to increase performance, lower operating costs and extend the life cycles of their existing plants. This increase in demand to upgrade facilities will particularly benefit power plant manufacturers such as ALSTOM, and the Group believes that its large worldwide installed base will be a significant source of future growth for its Power Service activities, especially in Europe and in the USA, but increasingly in other regions like Asia or the Middle East. Everywhere in the world, the increasing number of old plants reaching retirement age will still drive the market for new equipment just to maintain current levels of installed capacity.

By carrying out an integrated analysis of power plant equipment, operation and maintenance, individual plants can be improved to run more efficiently, thus cutting fuel costs, enhancing performance and allowing to drastically reduce CO_2 emissions.

According to the Group's analysis based on data published by Utility Data Institute (UDI-USA) and proprietary sources, ALSTOM has installed major power generation equipment in about 25% of the world's installed power generation equipment. The Group considers its experience of installing and servicing this large installed base of equipment is key to securing further customer service contracts and supporting sales of the Power Service Sector in the future.

Age pyramid of world installed capacity



Source: ALSTOM, UDI.

Fuel price and availability

Fuel price and its availability is not a prime driver for electricity demand but it rather influences the portfolio of technologies. Recent years have been characterised by rising fuel prices and concerns about energy security. But rising energy prices is not just an oil issue - natural gas, coal and uranium prices are all directly or indirectly affected by the general rise and questioning the right choice for investment in new power plants.

The rise in energy prices is general but impacts of the cost of electricity produced by the power plants are variable: gas plants are more sensitive to fuel price changes than coal or nuclear plants.

This price volatility, energy security concerns and the need to reduce greenhouse gas emissions (GHG) have led to a return of nuclear power plants to many countries' development plans.

Energy resources are not evenly distributed. The Middle East holds by far the largest reserves of oil and is also the world's biggest producer. The USA, Western Europe and Asia/Pacific are the biggest importers of oil. For gas, the picture is different, as the Middle East still holds the largest proven reserves but Russia alone has over 25% of worldwide proven reserves and is also the largest exporter of natural gas.

Coal is an abundant energy source in many regions, with China, India, Australia, South Africa, Russia, Western Europe and the USA all having large proven reserves.

Globally, a balanced portfolio of technology and fuel appears to be probably the best way to secure electricity generation in the long term and a key path for energy security increase in a country.

Competitive position

POWER SYSTEMS COMPETITIVE POSITION

The Power Systems Sector occupies leading worldwide positions in all its Businesses. (Source: ALSTOM)

In the gas turbine segment, the Sector competes against three other major groups: General Electric, Siemens and Mitsubishi Heavy Industries.

In the steam turbine segment, the Sector competes against global companies such as Siemens, Mitsubishi Heavy Industries, Toshiba and General Electric, but also against domestic suppliers such as Shanghai Electric, Harbin and Dongfang in China, and BHEL in India.

In the utility boiler segment, the Sector's main competitors are Mitsubishi Heavy Industries, Babcock & Wilcox, Babcock Hitachi, Foster Wheeler and the domestic suppliers in China and India mentioned above.

In emissions control systems for electrical power producers, the main competitors are Fisia Babcock, BPI, Babcock & Wilcox, Lurgi, Siemens - Wheelabrator, Mitsubishi Heavy Industries, Babcock Hitachi, Black & Veatch and Austria Energy & Environment.

In emissions control for industry, the Sector mainly competes with Hamon, FLS Airtech, Solios, Mitsubishi, Voest Alpine, Enfil and BHA.

In the hydroelectric power market, ALSTOM Hydro's main competitors are Voith-Siemens, Andritz VATECH Hydro and IMPSA as well as Chinese manufacturers Harbin and Dongfang and BHEL in India.

In wind, where ALSTOM operates through Ecotècnia, the main players are Vestas, Gamesa, General Electric, Siemens and Enercon.

The Power Systems Sector's competitive strengths include:
- its unique capability to supply optimised turnkey plants by integrating all major components from in-house technology (turbine, generator, boiler, condenser, environmental systems, electrical and control systems);
- its extensive experience in heavy duty and mid-range gas turbines, with a portfolio of proven machines;
- its strong market position and extensive experience in all types of boiler technologies, including clean coal combustion;
- its size and balanced world presence;
- its leadership position in steam turbines and generators and in the conventional islands of the nuclear power plant;
- its position as world leader in hydro systems and equipment, through its joint venture with Bouygues;
- a growing position in wind turbines, mainly in Southern Europe.

POWER SERVICE COMPETITIVE POSITION

Besides ALSTOM, the following players are present in the "after sale" market:
- the original equipment manufacturers (OEMs) of power generation equipment (such as General Electric or Siemens), concentrating mainly on servicing their own machines;
- independent service providers offering varied service products to OEM customers, including some reverse-engineered replacement parts (such as Sulzer and Wood Group);
- many local field service companies with activities mostly limited to maintenance planning and execution.

Changes in customers' expectations as they focus increasingly on their assets' economic and environmental performance, are changing the dynamics of the service market. Power Service is very well positioned to benefit from these changes:
- holding leading market share positions across all major equipment categories in terms of installed base globally (Source: UDI-ALSTOM), Power Service has the required knowledge to deliver improved performance on an individual equipment basis as well as full power plants solutions;
- ALSTOM's size and sustained investment in Research and development focused on its after sales offering allows it to propose a real competitive advantage to clients through innovative products;
- its global network and decentralised organisation (200 local service centres in some 70 countries throughout the world) brings Power Service close to its customers, allowing for a better understanding of their business requirements, and improved response times.

These competitive advantages enable ALSTOM to continue to enjoy a leadership position on all the major components of its installed base. (Source: UDI-ALSTOM)

Research & development

POWER SYSTEMS R&D

Power Systems has a long term Research & development (R&D) programme for developing and/or acquiring the best available technology that will provide optimum efficiency, environmental and commercial benefits to power plant operators worldwide, now and in the future.

ALSTOM has been carrying out an intensive Research and development programme over the past years to meet the technological and economic challenges of capturing the CO_2 created by fossil-fuel-based electricity production. In the medium term, the company will be able to offer solutions for all fossil-fuel-based power plants to capture CO_2 emissions. ALSTOM has launched the development of several technologies so that it should be in a position to offer CO_2 capture solutions that give one of the best energy efficiency for an acceptable cost of installation and maintenance for the operator.

Power Systems is mainly developing on post combustion and oxy-combustion technologies.

The availability and efficiency performances for these technologies are promising. They should allow to capture CO_2 emissions from commercial scale power plants at a reasonable cost from around 2015 depending on the technology. Moreover, part of the installed base should be retrofittable with these technologies.

Post-combustion technology is the most advanced technology today. It consists of separating CO_2 from exhaust gases using a solvent (amine or chilled ammonia). The latest results from our bench test show that the chilled ammonia capture method developed by ALSTOM could remove up to 90% of CO_2 from combustion gases. This technology could also be applied to both coal-fired power plants and to combined cycle gas-fired power plants. The various pilot projects and industrial demonstrations that will begin at the end of this year will measure the energy use of these technologies and should confirm their economic advantages over other technologies.

The oxy-combustion method consists of burning a solid fuel in oxygen instead of air. This combustion produces a concentrated stream of CO_2 which can be easily stored. Conditions for retrofitting existing fleet with oxy-combustion technology are currently being studied. Also, important technological breakthroughs are being prepared, such as chemical looping, a new and promising form of oxy-combustion currently undergoing bench tests at ALSTOM. This process should avoid the costly use of cryogenic oxygen.

The third path, called pre-combustion, consists of transforming by gasification a fuel rich in carbon (coal or petrol derivatives) into a synthetic gas made up of carbon monoxide and hydrogen. ALSTOM has not decided to invest in the gasification process itself as this technology cannot be applied to the existing fleet. This technology can potentially be successful in a "poly-generation" mode producing synthetic gas (or hydrogen if equipped with carbon capture), synthetic fuels as well as other by-products, including electricity. Nevertheless, ALSTOM has launched development programmes to enable its gas turbines to burn hydrogen-rich gases.

ALSTOM has already signed seven agreements with utilities and oil companies for pilot CO_2 capture plants using both oxy-combustion and post-combustion methods.

Post-combustion:

- a 5 MWt post-combustion pilot plant (using chilled ammonia) in association with the Electric Power Research Institute (EPRI) for We Energies in the United States (coal);
- a 5 MWt post-combustion demonstration plant (using chilled ammonia) for E.ON in Sweden (oil and gas);
- a 30 MWt post-combustion product validation unit (using chilled ammonia) for American Electric Power (AEP) in the United States (coal) to be followed by the design, construction and commissioning of a commercial scale Co_2 capture system of over 200 MWt;
- a 40 MWt post-combustion test and product validation facility (using chilled ammonia) for Statoil in Norway (gas);
- an agreement with TransAlta in Canada to develop and construct a commercial CO_2 capture and storage facility to retrofit an existing coal-fired power plant.

Oxy-combustion:

- a 32 MWt oxy-firing demonstration (boiler retrofit) unit for Total in France (gas);
- a 30 MWt oxy-firing demonstration plant for Vattenfall in Germany (lignite).

A joint development (JDA) and commercialisation agreement with The Dow Chemical Company (Dow) has been recently signed for advanced amine scrubbing technology for the removal of CO_2 from low pressure flue gases particular to fossil fuel fired power plants and other major industries. Other partnerships are also currently under discussion. ALSTOM thus intends to take a worldwide leadership position in CO_2 capture, as is already the case in other "clean energy" areas.

While the development of CO_2 capture solutions is a priority, ALSTOM remains committed to the foundation of its business and the continued improvement of energy efficiency is key among its research and development efforts.

In parallel, the Sector has continued to work on the performance upgrades of its GT26™ and GT13™ gas turbines with the development of more efficient cooling systems; increases in turbine temperature, pressure and speed; advanced materials including ceramic, alloy and super-conducting; and improved insulation.

In the Wind activity, the Sector is currently developing a new 3MW wind turbine called Eco 100. It will match the growing needs of bigger turbines. The first prototype was installed at the beginning of 2008.

ALSTOM's R&D efforts are essentially driven by current and future market needs in its product areas. To ensure that this is so, R&D resources are an integral part of its businesses. The Group has major development centers in France, Germany, Switzerland, United Kingdom and the United States. Power Systems employs over 4,000 engineers and has 22 development centres and 13 laboratories worldwide. In addition to its internal resources, ALSTOM actively seeks links with leading academic institutions to access facilities, expertise and research talents. Across the world, the Group has established relations with some forty universities where active R&D collaboration is underway.

POWER SERVICE R&D

In the area of service for gas turbines and combined cycle power plants, Power Service R&D activities focus mainly on thermal efficiency improvements, the lowering of life cycle costs and environmental solutions for existing power plants. Thus, the Sector not only offers products which keep existing power plants competitive, but which also reduce their negative environmental impact. With ALSTOM's environmentally friendly gas turbine burner technology, Power Service R&D develops gas turbine combustion solutions, which allow customers to meet today's stringent environmental requirements regardless of the power plant age.

In the area of monitoring and diagnostic processes, the programme focus is on inspection technologies using remotely operated vehicles to deliver advanced inspection and repair methodologies.

The Sector's extensive experience and knowledge gained from the ECORAM™ (ECOnomic Reliability Availability, Maintainability) plant assessment programme has resulted in the creation of a number of highly effective programmes, focussing on plant capacity, performance improvements, lifetime extension and environmental compliance.

Power Service has launched development of plant optimisation programmes to further reduce CO_2 emissions from existing power plants, thereby facilitating compliance with environmental regulations. Thanks to these programmes, plant operators can reduce costs and emissions whilst maintaining or even increasing the electricity production rate.

In the area of steam plant products, R&D programmes typically focus on driving the overall plant performance by optimising start up behaviour and thermal efficiency.

Improvements for core boiler components focus on maintaining the desired combustion efficiency and bringing down maintenance and operating costs by developing advanced durable materials such as ceramics, as well as burner and ash handling equipment to extend run time.

Other R&D programmes are enhancing techniques for improved-quality lower-cost pressure part production. Elsewhere, innovative new ignitor and flame scanner technology delivers improved reliability and greater operational flexibility for customers.

Strategy

POWER SYSTEMS STRATEGY

The three pillars of the Power Systems strategy are:
- Clean Power;
- Plant Integrator; and
- Operational excellence.

Clean Power

ALSTOM is in a position to help plant operators to choose the right and balanced portfolio of energy sources, whilst offering them the newest available technologies to curtail emissions, both for all traditional pollutants and CO_2. Today ALSTOM is the best positioned to provide the cleanest power plants whatever their age (both existing and new ones), their energy source (from fossil fuels, hydro, wind to nuclear) or their emission type (NO_x, SO_x, Mercury, particulate matters).

On one hand, improvement in efficiency of existing plants gives significantly more electricity from the same amount of fuel and a longer life span. This translates into a large offering of services, engineering and equipments for the rehabilitation of existing power plants, leading to important fuel savings and substantial CO_2 emission reductions. On the other hand, the use of increasing steam cycle temperatures allows ALSTOM to offer its clients the best available technology for new power plants. The next step of these advanced cycles will be at 700 degrees Celsius and should allow for an energy efficiency of around 50% by 2020 for coal power plants.

ALSTOM believes that energy use must be decarbonised, and that this must be done as soon as possible in order to start to reduce emissions. This will need investment and innovation across a whole range of technologies.

With electricity consumption rising worldwide, environmental protection, such as CO_2 emissions control, is creating a new demand. ALSTOM, world leader in clean energy (source: ALSTOM), offers the complete range of solutions, both for new equipment and for the retrofit of the installed base, as well as services.

Plant Integrator

ALSTOM has a unique expertise as a plant integrator.
Plant Integrator applies to all options for supplies and services. It is a cutting edge methodology to yield significant value for customers. It is a unique way of working which consists of always looking at creating more value for customers seeking total optimisation of a power solution and not just simple direct cost reductions through products compilation. It allows to:
- increase cash flow and get the lowest cost;
- get more power;
- increase the installation's efficiency;
- burn less fuel;
- improve flexibility of operations.

This concept is particularly efficient for the retrofit of the installed base.

Operational excellence

In parallel, the Power Systems Sector continues to implement its change programme, that focuses on three key issues:
- increase intake of profitable orders, through a global sales coverage and being present where the customer is, as well as a value-based selling method;
- continue to improve project management excellence;
- optimise industrial footprint.

As part of this programme, Power Systems' priority is to increase its presence in China and India, and to build its position in Russia and emerging markets. This year significant steps have been achieved:
- ALSTOM has acquired 51% of the capital of the Wuhan Boiler Company Ltd (WBC). WBC has been an industrial partner of ALSTOM for over ten years. Through WBC, ALSTOM will have better access to the Chinese market for boilers used in coal-fired power plants, which is today the largest market in the world for these power plants. The acquisition of WBC will also provide ALSTOM with a strategic industrial base for export;
- ALSTOM has joined forces with Russian group Atomenergomash to jointly meet growing demand in the nuclear power plant market for power generation, particularly in Russia, notably by establishing a joint venture dedicated to manufacturing the conventional islands of Russian nuclear power plants. Atomenergomash is a subsidiary of Atomenergoprom, the state-owned company in charge of producing equipment for Russia's civil nuclear programme.

ALSTOM will also expand its manufacturing and engineering capacity in the USA by building a new facility in Chattanooga, Tennessee, where it will manufacture steam turbines, gas turbines, generators and related equipment. This investment will allow the Group to serve the American market, notably following the agreement with UniStar Nuclear Energy (UNE) for conventional islands, and to respond to the growing demand for the retrofit of power generation equipment in the country.

POWER SERVICE STRATEGY

Since its creation in the late 90's the Power Service Sector has pursued a step-by-step strategy aiming to leverage its technology offering and service competences to become the reference for customers and other stakeholders as both the leading full plant service provider and an expert on the associated environmental issues.

Having successfully rolled out the first stage by widening its global network, the second stage of the strategy is underway and focusing on streamlining and reinforcing structures and processes in order to offer customers both improved efficiency and a broader portfolio of technological and value-added solutions.

Progress in the roll-out of the second stage can be seen in the recent re-alignment of the regional set up for a stronger local presence in fast growing areas and a renewed focus on developing and driving global product strategies.

A renewed focus on global plant and product strategies supports the Service regions in creating locally acting, but globally integrated and aligned business operations. Its responsibility covers the development and implementation of global product and plant strategies, the deployment of standard tools and processes, and the optimisation and leveraging of the industrial base.

With a full service offering and a large global footprint including key regional markets, ALSTOM is well positioned to exploit its full potential for profitable growth by responding effectively to existing and prospective customers' power generation needs.

Key financial data

The following table presents key financial data for the combined Power Systems and Power Service Sectors:

Power, actual figures

			% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	2007	Actual	Organic
Order backlog	21,939	17,092	28%	28%
Orders received	15,970	13,593	17%	18%
Sales	11,370	8,871	28%	27%
Income from operations	1,007	711	42%	42%
Operating margin	8.9%	8.0%		
EBIT	1,001	698	43%	
Capital employed	1,287	1,458	(12%)	

The following tables set out certain key financial data for the Power Systems and Power Service Sectors:

POWER SYSTEMS

Power Systems, actual figures

			% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	2007	Actual	Organic
Order backlog	16,039	11,873	35%	33%
Orders received	11,569	9,535	21%	22%
Sales	7,768	5,673	37%	35%
Income from operations	415	201	106%	105%
Operating margin	5.3%	3.5%		
EBIT	408	194	110%	
Capital employed	(937)	(648)	45%	

POWER SERVICE

Power Service, actual figures

			% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	2007	Actual	Organic
Order backlog	5,900	5,219	13%	18%
Orders received	4,401	4,058	8%	8%
Sales	3,602	3,198	13%	12%
Income from operations	592	510	16%	17%
Operating margin	16.4%	15.9%		
EBIT	593	504	18%	
Capital employed	2,224	2,106	6%	

Comments on activity during fiscal year

ORDERS

Power Systems

2007/08 has been extremely positive for the power generation market with volumes moving up in most countries. In addition, China and India have been through a booming demand this year. Asia remains the dominant market with more than half of the world demand for new equipments. Coal in Europe, China and India, hydro in China, India and South America will remain leading sources of energy, together with gas. The nuclear renaissance in the USA and ambitious nuclear programmes in several other countries (South Africa, China, Russia, UK) are leading to a market increase for the different types of nuclear plant technologies. In addition, the recognition of environment as a key issue, the need to comply with environmental regulations, to improve efficiency or to extend the life of power plants, have increased the demand for retrofits of existing power plants.

Orders received by the Sector in 2007/08 amounted to €11,569 million, a 21% increase over last year (22% on an organic basis). Overall, Power Systems booked a total of 38 gas turbines (including 18 GT26™) compared to 20 the previous year.

Power Systems recorded a number of successes in gas power plants in Europe. Two very large gas power plants with a total of 7 GT26™ turbines were booked in the UK and 4 projects comprising a total of 5 turbines were recorded in other European countries (the Netherlands, France, Ireland, Greece). With an order intake of €4,241 million, Europe accounted for 37% of the Sector's total orders. This represents a 25% decrease *vs.* last year, which was at a particularly high level due to the booking of several turnkey gas plants as well as of two very large coal-fired plants.

In North America, the market for environmental retrofit of coal power plants has been very solid in the last few years and is expected to remain so due to emission reduction compliance deadlines. The market for retrofit of steam turbines is increasing for both coal and nuclear plants. Several orders for the retrofit of steam turbines were booked during the year in the USA and in Mexico. The development of new projects for coal power plants has been hindered due to concerns on CO_2 and future regulations, which have lead to delays in the permitting process. For hydro, the market is starting to recover for both new projects and retrofit of existing units. North America accounted for 13% of the order intake this year at €1,455 million (a 24% decrease *vs.* last year).

The Asia/Pacific region recorded a significant growth in orders, mainly in China. In hydro, six projects were secured for a total of 3.7 GW of turbines and 9.7 GW of generators. In nuclear, four conventional islands of nuclear power plants were booked based on two types of reactor technologies – EPR and CRP 1000. In 2007/08, ALSTOM recorded orders in China for boilers (following the acquisition of Wuhan Boilers Company) and for steam turbines (ALSTOM Beizhong Power). In India, ALSTOM recorded its first GT26™-combined cycle power plant project. The rest of Asia/Pacific also recorded significant growth with orders in Australia (GT13™-based power plant) and Vietnam (the largest hydro power plant in South East Asia). Orders in Asia/Pacific represented 16% of the order intake at €1,850 million, a 68% increase *vs.* 2006/07 (57% on an organic basis).

In South and Central America, demand grew in hydro as well as in environmental equipment for power generation and industry. ALSTOM booked significant hydro power generation contracts in Brazil. Orders received in South and Central America represented 5% of the Sector's order intake.

In Middle East and Africa, the market is essentially a gas market except in South Africa where the coal market is coming back after many years of limited investment. In 2007/08, ALSTOM booked a contract for six large turbine islands (6 x 780 MW) in South Africa. In the rest of the region, the market was strong with a total of 18 gas turbines booked. ALSTOM booked its first order for the GT26™ technology in the Gulf region for a 5-units power and desalination plant. Power Systems also booked a hydro contract in Uganda. In total, ALSTOM booked €3,421 million of orders (compared to €291 million last year) in this region, representing 29% of the total order intake.

Power Service

Power Service achieved a strong performance in 2007/08, supported by a favourable market rise of service activities.

The service market growth is mainly linked to power consumption with some specific regional characteristics. The underlying growth drivers are a larger installed base, an ageing fleet, liberalisation and a greater focus on environmental standards. Recent high fuel prices have also induced a number of customers to commit to plant improvements where Power Service can provide competitive solutions.

Power Service's total order intake was €4,401 million, an 8% increase compared to 2006/07 (on an actual and an organic basis).

The high level of order flow for turnkey gas power plants translated into 10 long-term operation and maintenance contracts booked by Power Service for a cumulated value of around €0.8 billion. Main successes include contracts in Algeria, Bahrain, Brazil, India, Ireland, Italy, UK, Mexico and Morocco. In addition, Power Service booked a high number of small and medium-sized contracts worldwide.

In Europe, environmental issues are becoming a key factor in utilities' investment decisions. Regulations are driving the demand for efficiency-enhancing products that allow a reduction of fuel consumption and for emissions control solutions. Some utilities also favour the lifetime extension of existing plants, which is creating opportunities as well in service activities. Orders received in Europe were €1,658 million, up 2% from last year.

In North America, customers are optimizing their generation portfolio towards high-efficiency coal plants and associated services. Orders received were €1,012 million, down by 15% from the high level recorded last year. In South and Central America, orders received were €150 million.

The Asia/Pacific region is showing a fast capacity build-up and growing environmental concerns, which are driving service opportunities. Customers show an increased interest in asset management services as a consequence of liberalization. ALSTOM's competitiveness in these fields led to several successes in 2007/08, especially in the very competitive markets of India, Malaysia and China, where recent acquisitions have reinforced the Group's local industrial base. In Asia/Pacific, orders amounted to €750 million, a 48% increase (33% on an organic basis).

The Middle East/Africa region showed dynamic growth during 2007/08. Strong demand for gas in the Middle East/Africa region translated into service opportunities, with supply of spare parts and plant rehabilitation in Algeria. Orders in Middle East/Africa reached €831 million, a 72% increase.

Main orders received by the Power Sectors during fiscal year 2007/08

The Power Sectors received the following major orders during 2007/08:

Country	Customer	Sector	Description
Algeria	Sonelgaz	Power Systems	510 MW GT13™ open cycle power plant
		Power Service	Contract for spare parts
Australia	Delta Electricity	Power Systems	650 MW GT13™ open cycle power plant
Bahrain	Hidd Power Company	Power Service	Operation and maintenance contract
Brazil	Furnas	Power Systems	Equipments for a 4 x 217 MW hydropower plant
Brazil	CSA	Power Service	Operation and maintenance contract
China	Dong Fang	Power Systems	4 x 1,000 MW-class steam turbine-generator packages for the conventional island of a new nuclear power plant
China	Ertan Hydro Power Co.	Power Systems	Equipments for an 8 x 600 MW hydropower plant
Finland	TVO	Power Systems	Steam turbine retrofit for nuclear power plant
France	Electrabel	Power Systems	420 MW GT26™ combined cycle power plant
Germany	Vattenfall	Power Systems	2 x 820 MW steam turbine generator
India	Gujarat SEC	Power Systems	400 MW GT26™ combined cycle power plant
		Power Service	Operation and maintenance contract
Ireland	ESB	Power Systems	400 MW GT26™ combined cycle power plant
		Power Service	Operation and maintenance contract
Italy	Abruzzo Energia	Power Service	Operation and maintenance contract
Italy	Ergosud SpA	Power Service	Operation and maintenance contract
Kuwait	Al Ghanim & Sons	Power Systems	Turbines and other components for an 850 MW GT13™ open cycle power plant
Mexico	Iberinco	Power Systems	Steam turbine retrofit for nuclear power plant
Mexico	Fuerza y Energia de Hermosillo	Power Systems	Operation and maintenance contract
Morocco	Abener	Power Systems	Turbines and other components for a 450 MW GT13™ combined cycle power plant
		Power Service	Operation and maintenance contract
The Netherlands	Electrabel	Power Systems	870 MW GT26™ combined cycle power plant
South Africa	Eskom	Power Systems	Turbines and other components for a 4,800 MW coal-fired power plant
Uganda	Bujagali Energy Ltd	Power Systems	Equipments for a 255 MW hydropower plant
United Arab Emirates	Dubal	Power Systems	150 MW GT13™ cogeneration power plant
United Arab Emirates	Marubeni	Power Systems	2,000 MW GT26™ combined cycle power and desalination plant
United Kingdom	E.ON	Power Systems	1,300 MW GT26™ combined cycle power plant
United Kingdom	RWE	Power Systems	1,700 MW GT26™ combined cycle power plant
		Power Service	Operation and maintenance contract
Viet Nam	Electricity of Vietnam	Power Systems	Equipments for a 6 x 400 MW hydropower plant

SALES

Power Systems

In 2007/08, Power Systems sales stood at €7,768 million, 37% higher than in 2006/07 (35% on an organic basis), a consequence of the positive order intake of last year. The book-to-bill ratio continued to be very strong (at 1.5 *vs.* 1.7 last year).

All regions, except Middle East/Africa, contributed to the increase in sales. Sales in Europe increased by 79% on an actual basis at €3,665 million or 47% of total sales. Sales in North America increased by 20% on an actual basis (30% on an organic basis) at €1,348 million and represented 17% of total sales. Sales in South and Central America increased by 16% at €475 million. Sales in Asia/Pacific increased by 29% on an actual basis at €1,472 million, representing 19% of total sales in 2007/08. Finally, sales in Middle East/Africa decreased by 15% at €808 million as some of the large projects in the order book (particularly in Saudi Arabia and Dubai) reached final stages of execution. The impact of the higher order volume booked this year in this region will translate into sales over the next years.

The following table sets out the geographical breakdown of sales by destination:

Power Systems, actual figures

					% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	% of contrib.	2007	% of contrib.	Actual	Org.
Europe	3,665	47%	2,051	36%	79%	71%
North America	1,348	17%	1,119	20%	20%	30%
South and Central America	475	6%	411	7%	16%	13%
Asia/Pacific	1,472	19%	1,142	20%	29%	25%
Middle East/Africa	808	11%	950	17%	(15%)	(14%)
Sales by destination	**7,768**	**100%**	**5,673**	**100%**	**37%**	**35%**

Power Service

Power Service generated sales of €3,602 million in 2007/08, a 13% increase (12% on an organic basis).

Europe represents 34% of the Sector's sales at €1,241 million, a 6% increase compared to last year.

North America also contributed significantly with sales of €1,154 million, a 26% increase and a 32% share of the Sector's sales due to a good activity across all businesses and the acquisition of Power Systems Manufacturing in the USA. Sales in South and Central America increased by 7% at €105 million (3% of the Sector's sales). In Asia/Pacific, sales were up by 8% (1% on an organic basis) at €642 million, *i.e.* 18% of global sales. Finally, sales in Middle East/Africa amounted to €460 million, up 11%, due to an increase in the gas service business in Middle East.

The following table sets out the geographical breakdown of sales by destination:

Power Service, actual figures

					% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	% of contrib.	2007	% of contrib.	Actual	Org.
Europe	1,241	34%	1,176	37%	6%	5%
North America	1,154	32%	914	29%	26%	28%
South and Central America	105	3%	98	3%	7%	10%
Asia/Pacific	642	18%	596	19%	8%	1%
Middle East/Africa	460	13%	414	13%	11%	16%
Sales by destination	**3,602**	**100%**	**3,198**	**100%**	**13%**	**12%**

INCOME FROM OPERATIONS AND OPERATING MARGIN

Power Systems

The income from operations of Power Systems was €415 million in 2007/08, more than doubling compared to 2006/07 (€201 million). The operating margin increased from 3.5% to 5.3%, driven by the increase in sales volume with a constant focus on project execution and cost control.

Power Service

Power Service posted an income from operations of €592 million in 2007/08, up 16% from the €510 million recorded during 2006/07. The operating margin improved slightly from 15.9% to 16.4% on an actual basis as a result of volume increase and productivity improvement.

Transport Sector

The Transport Sector serves the urban transit, the regional/ intercity passenger travel markets and the freight shipping markets all over the world with rail transport products, systems and services. ALSTOM designs, develops, manufactures, commissions and maintains trains, develops and implements system solutions for rail control. It also designs and manages the creation of new railway lines, as well as offering customers maintenance and renovation programmes to keep their assets safe and productive. The Sector markets each of these as stand-alone offerings or combined with turnkey rail transport systems, according to each customer's requirements.

Offering

Trains (rolling stock)

ALSTOM addresses all product segments from tramways to very high speed trains and locomotives. ALSTOM is the world leader in very high speed trains, and holds the number 2 position in the tramway and metro rolling stock segments. ALSTOM is among the leaders for suburban commuter regional trains and locomotives (Source: ALSTOM). It addresses all market segments worldwide with customised solutions configured from standard platforms.

The rolling stock product line is organised into 5 product centres of excellence and in manufacturing centres of excellence, in order to maximise the quality and performance level of the Sector's deliveries to the customers as follows:

- High Speed Trains Group based in La Rochelle, France, is the design centre for trains to operate at speeds over 250 kph. In early February 2008, the Group launched the new AGV™ very high speed train which main subsystems were exhaustively tested during the world speed record on rail (574,8 kph) achieved on 3 April 2007;
- Intercity Trains Group based in Savigliano, Italy, is in charge of PENDOLINO™ tilting trains, CORADIA™ "MINUETTO[(5)]" and X'TRAPOLIS™. These trains operate at speeds ranging from 140 kph up to 250 kph;
- Regional Trains Group based in Salzgitter, Germany, is in charge of the CORADIA™ family of electrical and diesel multiple units as well as the double-deck trains. These operate at speeds ranging from 100 kph up to 180 kph;
- Urban Trains Group based in Valenciennes, France, is in charge of designing the Sector's new generation of CITADIS™ including a "Tram-Train" CITADIS Dualis™ as well as the METROPOLIS™ metros;
- Locomotives Group based in Belfort, France, is in charge of designing the new generation of PRIMA™ locomotives.

Manufacturing centres of excellence are present across all continents.

(5) MINUETTO is a trademark of the company Trenitalia SpA.

Railway infrastructure (track & electrification)

The Infrastructure product line addresses both urban and main line rail transport segments and encompasses the design and construction of:

- new railway lines;
- extensions to existing lines;
- modernisation of existing railway lines.

To these segments, ALSTOM brings expertise and project management in:

- track lay-out (on concrete or ballast beds);
- line electrification and power supply, including sub-stations and specific power supply feeding system for tramways to suppress catenaries;
- station electrical and mechanical equipment;
- maintenance of all these items of railway infrastructure.

Rail control systems (railway signalling and information solutions)

The Information Solutions product line provides rail transport operators and infrastructure managers with equipment to operate efficiently and safely.

In the main line railway segment, the Group offers customers a complete range of products, organised around centres of excellence:

- train control and monitoring systems and electronic modules in Villeurbanne (France);
- trackside products and interlocking systems in Bologna (Italy);
- integrated control and security centres in Meudon (France);
- urban transit solutions in Saint-Ouen (France);
- railway main line solutions in Charleroi (Belgium);
- freight optimised solutions in Sao Paulo (Brazil).

ALSTOM markets these products either as single products or as integrated system solutions that fulfil either European (with the ATLAS™ solution) or American standards (with the "OTMS" solution).

In the urban segment, the offering ranges from basic operations control to driverless systems. These systems take advantage of telecommunication-centred architectures such as the mass transit train control systems (URBALIS™) implementing a CBTC (Communication Based Train Control) technology.

Signalling systems are complemented by other related information-based systems and services, such as:

- passenger information systems (AGATE™ Media), on board trains and on platform;
- security systems (CCTV, emergency telephony…);
- train control and monitoring systems (TCMS).

The offering also covers maintenance services ranging from simple spare parts and repairs to availability-based maintenance contracts.

Lifetime service support for trains & rail infrastructure

For trains, railways and rail control systems, the Group supports its customers with:

- advanced logistic services for the supply of the parts they need;
- comprehensive maintenance programmes;
- modernisation services;
- technical support and assistance with documentation management.

The continued liberalisation of railway markets around the world, combined with the increase in private financing in railway ventures, is fuelling exceptionally high growth rates in rail transport markets. ALSTOM continues to lead the industry by supporting operators in boosting their performance, through faster supply chains, modernised rolling stock and optimised fleet availability.

Full integrated system solutions

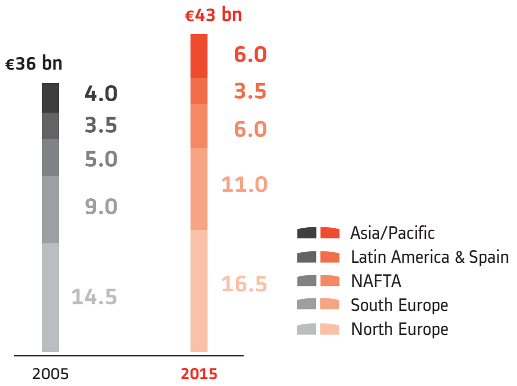
The Systems Business offers complete turnkey solutions. ALSTOM addresses these DBOM (Design Build Operate Maintain) or PPP (Public Private Partnership) opportunities either as a consortium leader or as a consortium partner in turnkey project management. The Sector addresses urban transit (tramway or metro) as well as main line railways (including very high speed rail projects). The management of such projects includes design, building, commissioning, maintenance programmes and coordination of financial, administrative and technical project domains. The Group's core competency consists of the development and supply of an optimised and integrated rail transport system, comprising rolling stock, information solutions, infrastructure and lifetime maintenance.

Industry characteristics

MARKET EVOLUTION

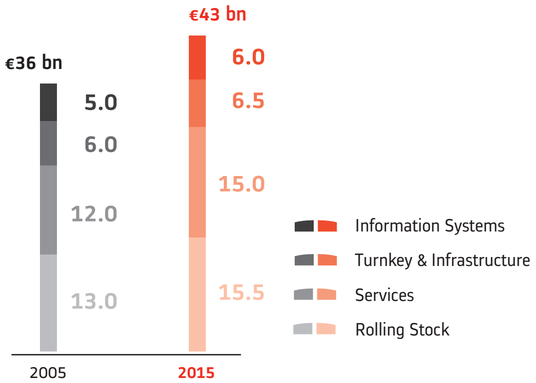
Governments are increasingly paying attention to the rail sector pushed by environmental constraints, mobility needs, growing urbanisation, urban and suburban road congestion, as well as medium-distance air traffic saturation. This combination of factors increases the demand for trains and rail equipment. This translates into market growth.

Market growth by region



Source: UNIFE-ALSTOM.

Market growth by product line



Source: UNIFE-ALSTOM.

In late 2006, the European Railway Industries Union (UNIFE) estimated the size of the global annual market accessible to its main members, at approximately €36 billion in 2005. This market is expected to grow to €43 billion in 2015. The bulk of the growth will come from rolling stock and services, representing over 80% of the increase within the accessible market. Asia/Pacific will be the region generating the most additional opportunities, representing around 15% of the accessible market in 2015 versus 10% in 2005.

After a low point reached in 2004, the market continued to gain momentum in 2007, with growth exceeding that anticipated by the UNIFE study and driven by a number of factors. We expect 2008 and 2009 to continue in a similar trend.

MARKET DRIVERS

Environmental concerns

The global need for mobility is creating increasing nuisances: greenhouse gas emissions, noise and congestion in cities. At the same time, public opinion is becoming increasingly conscious of environmental risks and climate change. Trains, development of new infrastructures, and an increase in traffic on existing rail lines are all concrete and feasible solutions to these concerns.

The Sector is committed to contributing to the environmental performance of rail systems, focusing on lower energy consumption (motor efficiency, weight reduction, new materials or recovery of braking energy), reduced internal and external noises and the global impact throughout product life.

Transport's industrial organisation contributes as well, by reducing its environmental impact through a management system assessing continuous improvement. Lastly, an "Eco-design" Centre of Excellence was created in 2007.

Urbanisation and congestion

Demographic and economic growth forecasts remain high in emerging and transitional economies such as India, China, Brazil or Mexico. This growth has outpaced rail infrastructure development in recent years. The rising transport needs resulting from this growth, combined with increasing road congestion, higher pollution levels and improved financing capacity, have triggered large investment plans for new urban and suburban transit systems.

These plans are intended to develop new efficient transport systems, which are considered strategic contributors to continued economic growth. Recent examples of this are Delhi or Mumbai, Shanghai or Beijing, Sao Paulo or Mexico City. ALSTOM expects this movement to amplify in the short term. These projects translate into opportunities for track lay-out, electrification, signalling and rolling stock.

In developed economies, passenger traffic is on the rise. Car ownership rates are stable, but the pressure to reduce car usage in city centres is fast increasing (*e.g.* tolls...). At the same time, airway hubs are increasingly congested. This situation leads to a rising demand for urban transit capacity, as well as high speed and/or high capacity solutions to connect large cities. Such developments will translate into the modernisation of existing infrastructure to boost efficiency, as well as into new systems.

Standard solution in tailored products

The development of private operators brings a new emphasis to rail systems: as well as being a mobility solution, they are also seen as an asset on which the profitability must be optimised. Consequently, these customers request solutions that are readily available, safe, more reliable and easier to maintain.

At the same time, private passenger operators and city governments look for some differentiators, either to position themselves *versus* existing competition or to capitalise upon the spirit of the community (Reims tram in France, with a Champagne glass-like facia). In addition, the regionalisation of the investment decision process in Europe results in increasing attention paid to customers' expectations, whether it be for more safety, or on-board connectivity, for instance.

New opportunities in the European railway freight market

The liberalisation of the railway freight market has generated hundreds of new actors and operators, including lease companies. With increasing requirements for Transport, this major market change has revived railway freight after years of decline, as seen for example in Germany, Sweden and Poland.

These new actors have important needs for railway equipment, including electric and diesel locomotives, parts and maintenance services as well as on-board signalling systems (ERTMS) to allow for cross-border operations.

The Sector is very well positioned to benefit from this market expansion thanks to its PRIMA™ locomotive range, ERTMS product offering and its expertise in maintenance and logistics.

European interoperability

The European Union supports more specifically, investment aimed at boosting cross border-operations, through the construction of new lines, the upgrading of existing ones and the development of European standards. As a market leader in the European Railway Traffic Management System (ERTMS) technology, the Sector is accompanying this development.

Competitive position

The Transport Sector has successfully established its global presence through a strategy of organic, profitable growth in existing and new markets, complemented by targeted acquisitions and alliances.

ALSTOM is a world leader for railway equipment and services. In particular, the Transport Sector is number 1 in very high-speed trains, number 2 in tramways and metros, and is among the leaders for electrical and diesel multiple units, information systems, traction systems, power supply systems and track work. ALSTOM's main competitors in the field of rail transport are Bombardier and Siemens. (Source: ALSTOM)

One of the Sector's key competitive strengths is its industry-leading product and service offering. This allows ALSTOM to offer the optimal solution to its customers' specific needs, as well as to optimise the integration of the various parts in full system projects.

More specifically, the strength of the Sector is based on several key competitive factors:

- full life cycle cost competitiveness, including product availability;
- performance achievement, especially product reliability and speed;
- passenger comfort and features in all rolling stock;
- time to market;
- technological leadership (AGV™, TGV[6], PENDOLINO™ tilting train, ERTMS Signalling, URBALIS™, APS catenary-less tramway...);
- customer centric, service-and-assistance-focused organisation with a strong global network of engineering, manufacturing and service locations.

These are the key elements of the Transport Sector's successes.

Research & development

In 2007/08, many R&D concepts and architectures turned into real products and prototypes:

- AGV™: the 7-car prototype of this fourth generation very high speed train was assembled in the first half of the year, and was powered up for the first time in December 2007. Static testing was completed in March 2008 before dynamic testing is performed mid 2008;
- CORADIA™ Continental: the first train-set of this new regional train was assembled and validated this year. The first batch of 20 trains are due to be delivered in 2008;
- CITADIS™: this successful tramway product (over 1,000 tram-sets ordered to date) is being developed to run in an optimal fashion on older existing tramlines particularly in Northern and Eastern Europe. A prototype is in construction in the Valenciennes (France) factory and will be ready to start testing in the second quarter of 2008;
- URBALIS™: this CBTC (Communications-Based Transit Control) system solution has been improved and the first metro to use it will be Beijing Line 2 (China) in time for the 2008 Olympic Games;
- ATLAS™: this inter-operable main line signalling system solution designed by ALSTOM is an implementation of the ERTMS standard (European Rail Traffic Management System) in which ALSTOM is a leader with both trackside and train-borne implementations. This includes Betuwe Route (Netherlands), Mattstetten-Rothrist line in Switzerland, L3 & L4 high speed lines in Belgium and new PENDOLINO™ high speed tilting trains for Cisalpino that run between Italy and Switzerland.

To crown these product development achievements, the new world rail speed record, shared with ALSTOM's partners RFF and SNCF, was set at 574.8 kph on 3 April 2007, demonstrating the Group's commitment to, and leadership in, advanced railway technology.

Strategy

The rail market is more promising than anticipated and its growth takes place in segments where the Sector has strong positions. In this business environment, ALSTOM confirms its strategy of profitable growth, focusing on selectivity in order intake.

To respond to the evolution of the market towards standard solutions, ALSTOM has launched a platforming strategy: the Sector will maximise the benefits of shared development costs, while selecting the opportunities that are most in line with the Group's platforms. The necessary customisation is made possible by ALSTOM's modular design combined with specific developments. The Sector is investing in new value-adding platforms, as demonstrated by the AGV™; the ALSTOM-funded fourth generation of very high speed train introduced in February 2008.

This favourable situation also provides an opportunity to optimise the Sector's industrial organisation: ALSTOM is investing in manufacturing capacity, mixing increased customer proximity and lower cost base. The Sector is also redesigning its sourcing network: the intensification of its partnership with selected suppliers will provide improved quality, economies of scale and shared development opportunities. In addition, the sourcing footprint is further extended in low labour cost countries.

Another key part of the Sector's strategy is to put an emphasis on developing its activities in promising markets, in particular Russia, India, China and Brazil. These markets are driven by a pronounced need to develop or renovate their national and urban public transport infrastructures. The Sector's efforts in these markets may take the shape of either partnerships or fully owned entities.

(6) TGV is a trademark of the SNCF.

Key financial data

The following table sets out key financial data for Transport:

Transport, actual figures

			% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	2007	Actual	Organic
Order backlog	17,283	15,239	13%	17%
Orders received	7,467	5,388	39%	40%
Sales	5,509	5,288	4%	5%
Income from operations	397	350	13%	12%
Operating margin	7.2%	6.6%		
EBIT	368	293	26%	
Capital Employed	(84)	(40)	110%	

Comments on activity during fiscal year

ORDERS

Orders received by the Transport Sector for 2007/08 reached €7,467 million, a 39% increase compared to 2006/07 (40% on an organic basis). The order intake shows a good combination of existing products (TGV[7], tramways) and new products (Tram-Trains, new generation of regional trains CORADIA™ Lirex). On a geographical basis, Transport also gained market share in countries outside its historical strongholds (*e.g.* Turkey, Morocco, Russia). Overall, Europe accounted for 78% of the total order intake, North America 9%, Asia/Pacific 8%, South and Central America 3% and Middle East/Africa 2%.

Sustained demand in Europe was mainly driven by urbanisation, mobility and environmental concerns:
- in France, the market remained strong, leading to a large contract in very high speed of €2.2 billion for 80 trains as well as numerous contracts for regional, metros and tram-trains;
- in Germany, the demand remained strong for regional trains with major orders won on the new regional train platform CORADIA™ Lirex as well as on the more mature one CORADIA™ Lint;
- in the UK, continued trust from the customer resulted in the extension of the maintenance contract for London's Jubilee metro line;
- in Belgium, a very important countrywide re-signalling contract was won, showing positive signs for ALSTOM's SMARTLOCK™ technology;
- contracts were also booked in Scandinavia (PENDOLINO™ trains), the Netherlands (tramway, renovation contract), Ireland (tramway), and Turkey (tramway, metro).

Orders in Europe amounted to €5,810 million, compared to €4,112 million last year.

In North America, the Transport Sector booked options for 360 additional cars for New York's metro with orders received in this region standing at €670 million.

South and Central America remained at a high level of activity, particularly in metros. Significant projects are also considered in very high speed and regional transports. Orders in South and Central America amounted to €247 million during the year.

In China, the metro market showed opportunities, which translated into 2 significant orders for the Sector (Shanghai Line 10 and Nanjing Line 2) for a total of 400 cars. The Chinese market also enabled ALSTOM to secure an order in signalling based on URBALIS™ Evolution. In the rest of the region, Transport received a contract in Australia for suburban trains for the Melbourne metropolitan network. Finally there were opportunities in Taipei resulting in a contract in signalling. Globally, in the Asia/Pacific region, orders reached €563 million.

Orders received in the Middle East/Africa region were €177 million during 2007/08, including a metro infrastructure contract for Cairo's metro and locomotives in Morocco.

(7) TGV is a trademark of the SNCF.

Transport received the following significant orders during 2007/08:

Country	Description
Australia	X'TRAPOLIS™ suburban trains for the Melbourne metropolitan network
Belgium	Signalling system
China	Metro cars and control system for the Shanghai metro network
China	Metro cars for the Nanjing metro network
Finland/Russia	PENDOLINOs™ for the Helsinki/Saint Petersburg rail link
France	Very high speed TGV* Duplex trains for the French railway operator SNCF
France	CITADIS Dualis™ tram-train for the French railway operator SNCF
France	Metro cars for the Paris metro network operator RATP
France	Renovation of suburban RER trains on Île-de-France line B
Germany	CORADIA™ Lirex trainsets for German railway operators
Ireland	CITADIS™ trainsets for the Dublin light rail system
Spain	Commuter trains for Spanish railway operator RENFE
The Netherlands	CITADIS™ trainsets for the city of Rotterdam
United Kingdom	10-year maintenance contract for the Jubilee Line of the London Underground
United States of America	Metro cars for the New York City metro network

* TGV is a trademark of the SNCF.

SALES

Transport's sales amounted to €5,509 million, a 4% increase *vs.* last year (5% on an organic basis).

In spite of an 8% decrease to €3,400 million, sales in Europe continued to be the most important contributor to the Sector's sales, with a 62% share of the total turnover. Main contracts traded include regional trains, locomotives and TGV(8) in France, metros for the Barcelona system and maintenance contracts in the UK. Activity in North America was strong with a 48% increase (61% on an organic basis) at €607 million (11% of the Sector's sales) mainly due to the trading of metro projects in the USA (metro projects in Washington and Atlanta close to completion and ramp-up of the New York metro project). Sales in South and Central America were down by 12% at €302 million (5% of the total sales), as contracts are coming to an end in Venezuela. Sales in Asia/Pacific increased by 27% at €916 million, mainly due to development of contracts for Electrical Multiple Units and locomotives in China. Sales in Middle East/Africa amounted to €284 million or 5% of global sales, a 135% increase mainly due to projects in Tunisia, Algeria and Israel.

The following table sets out the geographical breakdown of sales by destination:

Transport, actual figures

Year ended 31 March (in € million)	2008	% of contrib.	2007	% of contrib.	% Variation 2008/07 Actual	% Variation 2008/07 Org.
Europe	3,400	62%	3,695	70%	(8%)	(8%)
North America	607	11%	409	8%	48%	61%
South and Central America	302	5%	343	6%	(12%)	(14%)
Asia/Pacific	916	17%	720	14%	27%	29%
Middle East/Africa	284	5%	121	2%	135%	136%
Sales by destination	**5,509**	**100%**	**5,288**	**100%**	**4%**	**5%**

(8) TGV is a trademark of the SNCF.

INCOME FROM OPERATIONS AND OPERATING MARGIN

Income from operations for the Transport Sector amounted to €397 million or 7.2% of sales during 2007/08. This represented a 13% increase from the €350 million (or 6.6% of sales) recorded during 2006/07, while the Sector intensified its R&D efforts. The improvement in operating income is mainly the consequence of higher sales, improved margin in backlog due to the high selectivity in orders booked over the recent years, better project management and cost reductions related to the platforming strategy.

Corporate & others

Corporate & others comprise all units bearing Corporate costs, the International Network, and, until their disposal in October 2007, some entities in India which were not reported by the Sectors.

The following table sets out some key financial data for the Corporate & others organisation:

Corporate & others, actual figures

			% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	2007	Actual	Organic
Order backlog	-	19	N/A	N/A
Orders received	35	48	N/A	N/A
Sales	29	49	N/A	N/A
Income from operations	(109)	(104)	N/A	N/A
EBIT	(148)	(165)	N/A	
Capital Employed	(128)	(248)	N/A	

Loss from operations for Corporate & others was €(109) million during 2007/08, compared to €(104) million for the previous year. Loss from operations included a €17 million expense related to the ALSTOM employee sharing plan implemented in 2007/08.

Operating and financial review

With retrospective effect from 1 April 2005, the Group has adopted the option offered by the amendment to IAS 19 "Employee Benefits" to recognise directly in equity, net of deferred taxes, all actuarial gains and losses, as well as any asset ceiling impacts on post-employment defined benefit plans.

In previous periods, starting from the date of first-time adoption of IFRS (1 April 2004), the Group applied the corridor method according to which actuarial gains or losses in excess of 10% of the greater of the future obligation or the fair value of plan assets were recognised in the income statement over the average remaining working lives of the employees.

The negative impact of this change in accounting method on the equity of the Group amounted to €(1,008) million at 31 March 2005, €(1,052) million at 31 March 2006 and €(896) million at 31 March 2007. The impact on the Group's net income is positive by €80 million for the year ended 31 March 2006 and €99 million for the year ended 31 March 2007.

INCOME STATEMENT

Total Group, actual figures

			% Variation 2008/07	
Year ended 31 March (in € million)	**2008**	2007	Actual	Organic
Sales	16,908	14,208	19%	19%
Cost of sales	(13,761)	(11,586)	19%	18%
R&D expenditure	(554)	(456)	21%	21%
Selling expenses	(619)	(567)	9%	10%
Administrative expenses	(679)	(642)	6%	5%
Income from operations	**1,295**	**957**	**35%**	**35%**
Operating margin	7.7%	6.7%		

Sales

Sales were €16,908 million in 2007/08, compared to €14,208 million in 2006/07. This represents a 19% increase on both an actual and organic basis.

The three Sectors contributed to this increase in sales with sales in Power Systems escalating by 37% (35% on an organic basis) from €5,673 million in 2006/07 to €7,768 million in 2007/08, Power Service sales growing by 13% (12% on an organic basis) from €3,198 million to €3,602 million and Transport sales up 4% (5% on an organic basis) from €5,288 million to €5,509 million.

Research and development expenditure

Research and development expenditure grew by 21% at €554 million in 2007/08 from €456 million in 2006/07.

Before impact of capitalisation and amortisation, the research and development expenditure increased from €440 million in 2006/07 to €561 million in 2007/08, up 28%. This rise relates mainly, for the Transport Sector, to developments in the new generation of very high speed trains (AGV™) and in ERTMS and, for the Power Systems Sector, to CO_2 capture programmes and in developments in steam and gas turbines technologies.

Selling and administrative expenses

Selling and administrative expenses amounted to €1,298 million in 2007/08 compared to €1,209 million in 2006/07.

Selling and administrative costs were strictly maintained in 2007/08. Selling expenses stood at €619 million, or 3.7% of sales *vs.* 4.0% during the previous year. Main expenses were related to an increased tendering activity as well as to the stronger commercial network set up in countries showing a growth potential. Administrative expenses reached €679 million, or 4.0% of sales *vs.* 4.5% during the previous year. Specific projects aiming at improving future performance were developed (sourcing and standardisation programmes in Transport and Customer Relationship Management tool in Power Service).

Income from operations

Income from operations was €1,295 million (7.7% of sales), compared with an income from operations of €957 million (6.7% of sales) for 2006/07. This strong improvement (+35% both on an actual and an organic basis) is driven by a high level of activity, a better quality of the backlog resulting from improved pricing conditions in some markets and a strict selectivity on the orders booked during recent years, along with constant focus on project execution and cost control.

Total Group, actual figures

Year ended 31 March (in € million)	2008	2007*	% Variation 2008/07
Income from operations	**1,295**	**957**	**35%**
Restructuring costs	(35)	(68)	(49%)
Other non operating income (expense)	(39)	(63)	(38%)
Earnings Before Interest and Taxes	**1,221**	**826**	**48%**
Financial income (expense)	(69)	(111)	(38%)
Income tax charge	(291)	(145)	101%
Share in net income (loss) of equity investments	1	-	N/A
Discontinued operations	-	(32)	(100%)
Minority interest	(10)	9	N/A
Net income - Group share	**852**	**547**	**56%**

* Restated for the change in accounting for pensions.

Earnings Before Interest and Tax (EBIT)

EBIT was €1,221 million in 2007/08 *vs.* €826 million in 2006/07 (EBIT for 2006/07 is restated for the change in pension accounting and was €727 million before this restatement), and is the result of the following:

- increase in income from operations, from €957 million to €1,295 million;
- decrease in restructuring costs, from €(68) million in 2006/07 to €(35) million in 2007/08;
- decrease in other non-operating expenses, at €(39) million (including a capital loss related to the re-measurement of a put and call agreement related to the disposal of the Marine activity) compared to €(63) million in the previous year (which included a fine received from the European Commission related to the former Transmission & Distribution business disposed of in 2004).

Financial expenses

In spite of costs linked to an important debt buy back over the year, financial expenses showed a significant decrease at €(69) million compared to €(111) million last year, mainly due to the evolution of the Group's cash position, from €(64) million net debt at 31 March 2007 to €904 million net cash at 31 March 2008.

Income tax charge

The income tax charge for 2007/08 was €(291) million compared to €(145) million in 2006/07, mainly due to the sharp rise in pre-tax income (€1,152 million in 2007/08 *vs.* €715 million in 2006/07). The income tax charge in 2007/08 was made up of a €(194) million current income tax charge (*vs.* €(168) million in 2006/07) and a €(97) million deferred income tax charge (€23 million deferred tax credit in 2006/07).

The effective tax rate was around 25% in 2007/08.

Discontinued operations

There were no discontinued operations in 2007/08. In 2006/07, the discontinued operations contributed to €(32) million and related to the Marine activities.

Net income - Group share

As a result of higher EBIT and lower financial expenses, leading to higher income tax charges, net income (Group share) amounted to €852 million, a sharp increase compared with the €547 million net income for the previous year (net income for 2006/07 is restated for the change in pension accounting and was €448 million before this restatement).

BALANCE SHEET

Total Group, actual figures

At 31 March (in € million)	2008	2007*	Variation 2008/07
Goodwill	3,767	3,510	257
Intangible assets	1,322	1,191	131
Property, plant and equipment	1,501	1,370	131
Associates and available-for-sale financial assets	62	34	28
Other non-current assets	635	812	(177)
Deferred taxes	1,070	1,307	(237)
Non-current assets	**8,357**	**8,224**	**133**
Working capital assets	10,703	9,008	1,695
Marketable securities and other current financial assets	170	197	(27)
Cash and cash equivalents	2,115	1,907	208
Current assets	**12,988**	**11,112**	**1,876**
Assets	**21,345**	**19,336**	**2,009**

At 31 March (in € million)	2008	2007*	Variation 2008/07
Equity (Group share and minorities)	2,245	1,375	870
Provisions (non-current and current)	1,761	2,061	(300)
Accrued pension and other employee benefits	818	999	(181)
Financial debt (current and non-current)	1,927	2,822	(895)
Deferred taxes	3	50	(47)
Working capital liabilities (excl. provisions)	14,591	12,029	2,562
Liabilities	**21,345**	**19,336**	**2,009**

* Restated for the change in accounting for pensions.

Goodwill and intangible assets

Goodwill increased to €3,767 million at 31 March 2008 compared to €3,510 million at 31 March 2007, which is mainly the result of goodwill generated following the acquisitions completed during the period (mainly Ecotècnia and Wuhan Boilers).

Intangible assets include acquired intangible assets and capitalised development costs. They amounted to €1,322 million at 31 March 2008 compared to €1,191 million at 31 March 2007. This increase is mainly due to the fair value revaluation of Ecotècnia's and PSM's acquired intangible assets.

Capitalised development expenses amounted to €124 million in 2007/08 *vs.* €115 million in 2006/07. Amortization of development costs amounted to €(55) million in 2007/08 compared to €(72) million in 2006/07.

Acquired intangible assets mainly result from the allocation of the purchase price following the acquisition of ABB ALSTOM Power in 1999 and 2000. The amortization expense of acquired technology was €(62) million in 2007/08 *vs.* €(59) million in 2006/07.

Tangible assets

Tangible assets amounted to €1,501 million at 31 March 2008 compared to €1,370 million at 31 March 2007.

Capital expenditure (excluding capitalised development expenses) increased by 34% in 2007/08, at €374 million compared to €280 million in 2006/07. These investments aim at reinforcing the efficiency of the industrial base as well as increasing the Group's production capacity in fast growing markets. Main programmes during 2007/08 included the construction of a new facility in Chattanooga (USA), the construction of a new iron foundry in Elblag (Poland), the expansion of a blade manufacturing workshop in Morelia (Mexico), the development of production facilities for hydroelectric equipment in Tianjin (China), as well as the upgrade of a number of industrial sites in the Transport Sector to align them with the Group platforming strategy.

Other non-current assets

Other non-current assets amounted to €635 million at 31 March 2008 compared to €812 million at 31 March 2007. At 31 March 2008, other non-current assets included mainly financial non-current assets directly associated to long-term leases of trains and associated equipment for a London Underground operator (for €546 million at 31 March 2008 *vs.* €654 million at 31 March 2007), along with pension assets, long-term loans and deposits.

Working capital

Working capital (defined as current assets excluding cash and cash equivalents and marketable securities, less current liabilities excluding current financial liabilities and including non current provisions) at 31 March 2008 was €(5,649) million compared with €(5,082) million at 31 March 2007. This improvement, which benefited from the high order intake, also reflects the results of stronger working capital management.

Deferred tax assets

Net deferred tax assets amounted to €1,067 million at 31 March 2008 compared with €1,257 million at 31 March 2007.

At 31 March 2008, the Group reviewed the recoverability of these deferred tax assets by jurisdiction, on the basis of its three-year business plan, extrapolated when needed. This review led to the non-recognition of €851 million deferred tax assets at 31 March 2008 compared with €1,184 million at 31 March 2007.

Current and non-current provisions

At 31 March 2008, the current and non-current provisions were €1,761 million compared with €2,061 million at 31 March 2007, due to a decrease in provisions on completed contracts for €254 million and in restructuring provisions for €63 million.

Equity attributable to the equity holders of the parent and minority interests

Equity at 31 March 2008 was €2,245 million (including minority interests) compared with €1,375 million at 31 March 2007 (restated for change in pension accounting; equity before this restatement was €2,271 million). This variation is mainly due to the net income of the period for €862 million (Group share and minority interests), to the capital increase following the issuance of new shares under stock option plans and the new employee sharing programme for a total of €100 million and to dividends paid for €(117) million.

Financial debt

The gross financial debt was €1,927 million at 31 March 2008, compared with €2,822 million at 31 March 2007, representing a €895 million decrease. The main variation of financial debt relates to the buy-back of €866 million of bonds (in nominal value) during 2007/08.

See Note 26 to the consolidated financial statements for further details regarding the financial debt.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out selected figures concerning the consolidated statement of cash flows:

Total Group, actual figures

Year ended 31 March (in € million)	2008	2007
Net cash provided by operating activities - before changes in net working capital	1,195	565
Changes in net working capital	897	524
Net cash provided by operating activities - continuing operations	**2,092**	**1,089**
Net cash used in or provided by investing activities - continuing operations	(896)	118
Net cash used in financing activities - continuing operations	(957)	(596)
Transfer of cash and cash equivalents from assets held for sale	-	29
Net effect of exchange rate	(33)	(30)
Other changes	2	(4)
Increase in cash and cash equivalents	**208**	**606**

In 2007/08, free cash flow reached a record level of €1,635 million. As described in paragraph "Use and reconciliation of non-GAAP financial measures", free cash flow is calculated as net cash provided by operating activities – continuing operations, less capital expenditure (including capitalized development costs) net of proceeds from disposals of tangible and intangible assets.

Net cash provided by operating activities

Net cash provided by operating activities – continuing operations reached €2,092 million in 2007/08 compared to €1,089 million in 2006/07.

Net cash provided by operating activities before changes in net working capital was €1,195 million in 2007/08. It represents the cash generated by the Group's net income after elimination of non-cash items (as provisions are included in the definition of the working capital, provisions are not part of the elimination of non-cash items) and before working capital movements.

The Group's net working capital improved by €897 million, which is explained, among others, by the following variations:
- a €502 million increase in inventories;
- a €318 million decrease in provisions;
- a €1,825 million increase in construction contracts in progress, net liabilities (particularly due to down payments received).

Net cash used in investing activities

Net cash used in investing activities – continuing operations was €(896) million in 2007/08. This amount comprises mainly:
- capital expenditure of €(498) million, including capitalised research and development for €(124) million;
- cash expenditure for acquisition of investments of €(425) million;

Net cash provided by investing activities was €118 million in fiscal year 2006/07; it included the release of the €700 million cash collateral securing the Group's former bonding programme.

See Notes 5.B and 4 to the consolidated financial statements for further details regarding capital expenditure and cash expenditure for acquisition of investments, respectively.

Net cash used in financing activities

Net cash used in financing activities – continuing operations in 2007/08 was €(957) million. This amount included mainly a capital increase for €100 million (following the issuance of shares related to stock option plans and the new employee sharing programme), the reimbursement of borrowings for €(956) million and dividends paid for €(117) million.

Net cash/(net debt) position

As a result of the above, cash and cash equivalent increased by €208 million in 2007/08 after an increase of €606 million in 2006/07. ALSTOM turned from a €(64) million net debt at 31 March 2007 to a €904 million net cash at 31 March 2008:

Total Group, actual figures

Year ended 31 March (in € million)	2008	2007
Net cash/(Net debt) at the beginning of the period	**(64)**	**(1,248)**
Increase in cash and cash equivalents	208	606
Increase (decrease) in marketable securities and other current financial assets	(49)	175
Repayment of current and non current borrowings	956	335
Repayment of obligation under finance leases	38	38
Net debt of acquired entities at acquisition date	(210)	-
Net effect of exchange rate and other	25	30
Net cash/(Net debt) at the end of the period	**904**	**(64)**

Notes 25, 26, 27, 31 and 34 to the consolidated financial statements provide further details, respectively, on:

- the analysis of pensions and other employee benefits;
- the nature and the maturity of the financial debt;
- the Group's policy regarding financial risk management, including currency, interest, credit and liquidity risks;
- off-balance sheet commitments and lease obligations; and
- a subsequent event.

USE AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

This section presents non-GAAP financial indicators.

Under the rules of the Autorité des marchés financiers ("AMF"), a non-GAAP financial indicator is a numerical measurement of historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measurement calculated and presented in accordance with GAAP in the consolidated income statement, consolidated balance sheet or consolidated statement of cash flows; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measurement so calculated and presented. In this regard, GAAP refers to International Financial Reporting Standards.

Free cash flow

Free cash flow is defined as net cash provided by operating activities – continuing operations, after elimination of variation in sale of existing receivables, less capital expenditure (including capitalized 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 flows calculated and presented in accordance with IFRS is net cash provided by operating activities – continuing operations, and a reconciliation of free cash flow and net cash provided by operating activities – continuing operations is presented below:

Total Group, actual figures

Year ended 31 March (in € million)	2008	2007
Net cash provided by operating activities - continuing operations	**2,092**	**1,089**
Elimination of variation in sale of existing receivables	-	34
Capital expenditure (including capitalized development costs)	(498)	(395)
Proceeds from disposals of tangible and intangible assets	41	17
Free Cash Flow	**1,635**	**745**

ALSTOM uses the free cash flow measure 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.

Capital employed

Capital employed is defined as the closing position of goodwill, intangible assets, property, plant and equipment, other non current assets (excluding pension assets and financial non-current assets directly associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents) minus current and non-current provisions and current liabilities (excluding current provisions and current financial debt).

Capital employed by Sectors and for the Group as a whole is also presented in Note 5 to the consolidated financial statements.

Capital employed is used both for internal analysis purposes as well as for external communication, as it provides insight into the amount of financial resources employed by a Sector or the Group as a whole, and the profitability of a Sector or the Group as a whole in regard to resources employed.

Total Group, actual figures

At 31 March (in € million)	2008	2007
Non current assets (excl. deferred tax & financial non-current assets directly associated to financial debt)	6,741	6,263
Current assets (excl. cash & cash equivalent)	10,873	9,205
Marketable securities and other current financial assets	(170)	(197)
Prepaid pensions and other employee benefit costs	(17)	(11)
Current liabilities (excl. current provisions & current financial debt)	(14,591)	(12,029)
Current and non current provisions	(1,761)	(2,061)
Capital employed	**1,075**	**1,170**

Net cash/(net debt)

Net cash/(net debt) is defined as cash and cash equivalents, marketable securities and other current financial assets and financial non-current assets directly associated to financial debt, less current and non-current financial debt.

Total Group, actual figures

At 31 March (in € million)	2008	2007
Cash and cash equivalents	2,115	1,907
Marketable securities and other current financial assets	170	197
Financial non-current assets directly associated to financial debt	546	654
less:		
Current financial debt	619	125
Non current financial debt	1,308	2,697
Net cash/(net debt)	**904**	**(64)**

Organic basis

Figures presented in this section include performance indicators presented on an actual basis and on an organic basis. Figures have been given on an organic basis in order to eliminate the impact of changes in business composition 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 by which to analyse and explain variations from one period to another. However these figures, provided on an organic basis, are not measurements of performance under IFRS.

To prepare figures on an organic basis, the figures presented on an actual basis are adjusted as follows:

- the actual figures for 2006/07 (order backlog, orders received, sales and income from operations) are restated taking into account the exchange rates used for 2007/08, as used for preparing the consolidated financial statements;
- in order to reflect the same scope of activity, the same indicators are adjusted both for 2006/07 (restatement of disposals) and for 2007/08 (restatement of acquisitions).

Figures on an organic basis are presented in the table shown next page.

ALSTOM - Organic figures 2007/08

	2007				2008				
Year ended 31 March (in € million)	Actual figures	Exchange rate	Scope impact	Comparable Figures	Actual figures	Scope Impact	Organic figures	% Var Act. 2008/07	% Var Org. 2008/07
Power Systems	11,873	(340)	-	11,533	16,039	(717)	15,322	35%	33%
Power Service	5,219	(183)	(157)	4,879	5,900	(153)	5,747	13%	18%
Transport	15,239	(507)	-	14,732	17,283	-	17,283	13%	17%
Corporate & others	19	(2)	(23)	(6)	-	-	-	-100%	-100%
Orders backlog	**32,350**	**(1,032)**	**(180)**	**31,138**	**39,222**	**(870)**	**38,352**	**21%**	**23%**
Power Systems	9,535	(181)	(46)	9,308	11,569	(228)	11,341	21%	22%
Power Service	4,058	(151)	-	3,907	4,401	(164)	4,237	8%	8%
Transport	5,388	(47)	-	5,341	7,467	-	7,467	39%	40%
Corporate & others	48	1	(19)	30	35	-	35	-27%	17%
Orders Received	**19,029**	**(378)**	**(65)**	**18,586**	**23,472**	**(392)**	**23,080**	**23%**	**24%**
Power Systems	5,673	(113)	(26)	5,534	7,768	(287)	7,481	37%	35%
Power Service	3,198	(109)	-	3,089	3,602	(138)	3,464	13%	12%
Transport	5,288	(48)	-	5,240	5,509	-	5,509	4%	5%
Corporate & others	49	1	(22)	28	29	-	29	-41%	4%
Sales	**14,208**	**(269)**	**(48)**	**13,891**	**16,908**	**(425)**	**16,483**	**19%**	**19%**
Power Systems	201	(4)	1	198	415	(9)	406	106%	105%
Power Service	510	(19)	-	491	592	(19)	573	16%	17%
Transport	350	5	-	355	397	-	397	13%	12%
Corporate & others	(104)	2	(3)	(105)	(109)	-	(109)	5%	4%
Income from Operations	**957**	**(16)**	**(2)**	**939**	**1,295**	**(28)**	**1,267**	**35%**	**35%**
Power Systems	3.5%			3.6%	5.3%		5.4%		
Power Service	15.9%			15.9%	16.4%		16.5%		
Transport	6.6%			6.8%	7.2%		7.2%		
Corporate & others	N/A			N/A	N/A		N/A		
Operating margin	**6.7%**			**6.8%**	**7.7%**		**7.7%**		
Sales	14,208	(269)	(48)	13,891	16,908	(425)	16,483	19%	19%
Cost of sales	(11,586)	225	43	(11,318)	(13,761)	361	(13,400)	19%	18%
R&D expenses	(456)	7	-	(449)	(554)	9	(545)	21%	21%
Selling expenses	(567)	10	2	(555)	(619)	8	(611)	9%	10%
Administrative expenses	(642)	11	1	(630)	(679)	19	(660)	6%	5%
Income from Operations	**957**	**(16)**	**(2)**	**939**	**1,295**	**(28)**	**1,267**	**35%**	**35%**

REPORT OF THE INDEPENDANT AUDITORS ON THE PROFIT FORECASTS

This is a free translation into English of the Independent Auditors' reports signed and issued in the French language and is provided solely for the convenience of English speaking readers. Such report should be read in conjunction and construed in accordance with French law and French auditing professional standards.

To the Chairman of the Board,

In our capacity as Independent Auditors of ALSTOM ("the Company") and in accordance with EU Regulation N°809/2004, we hereby report on the profit forecasts for the Company, which are included in Chapter 1 of its "Document de Référence" dated 23 May 2008.

In accordance with the requirements of EU Regulation N°809/2004 and relevant CESR guidance, management is responsible for the preparation of these forecasts together with the material assumptions on which they are based.

It is our responsibility to provide an opinion on these forecasts, in terms defined by Appendix 1, paragraph 13.3 of EU Regulation N°809/2004.

We conducted our work in accordance with French professional standards. This work consisted in assessing the procedures implemented by management for the preparation of the profit forecasts and performing such procedures as to enable us to assess whether the basis of accounting applied are consistent with the accounting policies used for the preparation of the Company's consolidated financial statements. Our work also consisted in collecting information and making the necessary enquiries in order to obtain reasonable assurance that the profit forecasts have been properly prepared on the basis of the assumptions stated.

It should be noted that actual profits are likely to differ from the profit forecasts since anticipated events frequently do not occur as expected and the variations could be material. Consequently, we do not express any opinion on the possibility that such events will occur.

In our opinion :

- the profit forecasts have been properly prepared on the basis stated;
- the basis of accounting applied in the preparation of these profit forecasts is consistent with the accounting policies used by the Company for the preparation of the consolidated financial statements as at 31 March 2008.

This report is intended for the sole purpose of the registration of the "Document de Référence" with the French Stock Exchange Regulatory Body (AMF), and may not be used for any other purpose.

Neuilly-sur-Seine, 23 May 2008

The Independent Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG ET AUTRES
Dominique Descours	Gilles Puissochet

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements

Year ended 31 March (in € million)	Note	2008	2007*	2006*
Sales	**(5)**	**16,908**	**14,208**	**13,413**
Of which products		*12,433*	*10,225*	*9,773*
Of which services		*4,475*	*3,983*	*3,640*
Cost of sales		(13,761)	(11,586)	(11,080)
Research and development expenditure	(6)	(554)	(456)	(364)
Selling expenses		(619)	(567)	(569)
Administrative expenses		(679)	(642)	(654)
Income from operations	**(5)**	**1,295**	**957**	**746**
Other income	(7)	26	18	252
Other expenses	(7)	(100)	(149)	(191)
Earnings before interest and taxes	**(5)**	**1,221**	**826**	**807**
Financial income (expenses), net	(8)	(69)	(111)	(222)
Pre-tax income		**1,152**	**715**	**585**
Income tax charge	(9)	(291)	(145)	(125)
Share in net income of equity investments		1	-	(1)
Net profit from continuing operations		**862**	**570**	**459**
Net loss from discontinued operations	**(10)**	**-**	**(32)**	**(198)**
Net profit		**862**	**538**	**261**
Attributable to:				
- Equity holders of the parent		852	547	258
- Minority interests		10	(9)	3
Earnings per share (in €)				
From continuing and discontinued operations				
- Basic	(11)	6.03	3.88	1.84
- Diluted	(11)	5.90	3.80	1.82
From continuing operations				
- Basic	(11)	6.03	4.11	3.25
- Diluted	(11)	5.90	4.02	3.22
From discontinued operations				
- Basic	(11)	-	(0.23)	(1.41)
- Diluted	(11)	-	(0.22)	(1.39)

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheets

At 31 March (in € million)	Note	**2008**	2007*	2006*
Assets				
Goodwill	(12)	3,767	3,510	3,323
Intangible assets	(12)	1,322	1,191	1,197
Property, plant and equipment	(13)	1,501	1,370	1,361
Associates and available-for-sale financial assets	(14)	62	34	99
Other non-current assets	(15)	635	812	855
Deferred taxes	(9)	1,070	1,307	1,270
Total non-current assets		**8,357**	**8,224**	**8,105**
Inventories	(16)	2,316	1,770	1,488
Construction contracts in progress, assets	(17)	2,807	2,858	2,229
Trade receivables	(18)	3,538	2,886	2,291
Other current assets related to operating activities	(19)	2,042	1,494	1,454
Marketable securities and other current financial assets	(20)	170	197	22
Cash and cash equivalents	(27)	2,115	1,907	1,301
Total current assets		**12,988**	**11,112**	**8,785**
Assets held for sale	(30)	-	-	1,144
Total assets		**21,345**	**19,336**	**18,034**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

(in € million)	Note	2008	2007*	2006*
Liabilities				
Equity and liabilities				
Equity attributable to the equity holders of the parent	(22)	2,210	1,333	730
Minority interests	(22)	35	42	58
Total equity	**(22)**	**2,245**	**1,375**	**788**
Non-current provisions	(24)	503	549	581
Accrued pension and other employee benefits	(25)	818	999	1,469
Non-current borrowings	(26)	664	1,922	2,018
Non-current obligations under finance leases	(26)	644	775	193
Deferred taxes	(9)	3	50	40
Total non-current liabilities		**2,632**	**4,295**	**4,301**
Current provisions	(24)	1,258	1,512	1,539
Current borrowings	(26)	576	85	320
Current obligations under finance leases	(26)	43	40	40
Construction contracts in progress, liabilities	(17)	8,931	7,239	5,401
Trade payables		3,132	2,976	2,872
Other current liabilities	(28)	2,528	1,814	1,630
Total current liabilities		**16,468**	**13,666**	**11,802**
Liabilities directly associated with assets held for sale	(30)	-	-	1,143
Total equity and liabilities		**21,345**	**19,336**	**18,034**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

Year ended 31 March (in € million)	Note	2008	2007*	2006*
Net profit from continuing operations		**862**	**570**	**459**
Depreciation, amortisation and expense arising from share-based payments		385	352	424
Changes in prepaid and accrued employee defined benefits		(114)	(391)	(61)
Net (gains) losses on disposal of non-current assets and investments		(34)	57	(166)
Share in net income of associates (net of dividends received)		(1)	-	1
Changes in deferred taxes	(9)	97	(23)	(30)
Net cash provided by operating activities – before changes in working capital		**1,195**	**565**	**627**
Changes in working capital	**(21)**	**897**	**524**	**158**
Net cash provided by operating activities – continuing operations		**2,092**	**1,089**	**785**
Proceeds from disposal of tangible and intangible assets		41	17	60
Capital expenditure	(5)	(498)	(395)	(294)
Decrease in other non-current assets		38	727	16
Cash expenditure for acquisition of investments		(425)	(232)	(13)
Cash (expenditure) proceeds from sale of investments, net of net cash sold		(52)	1	257
Net cash used in or provided by investing activities – continuing operations		**(896)**	**118**	**26**
Capital increase		100	-	6
Repayment of current and non-current borrowings***		(956)	(377)	(369)
Repayment of obligations under finance leases		(38)	(38)	(42)
Decrease (increase) in marketable securities and other current financial assets		54	(175)	6
Dividends paid including payments to minorities		(117)	(6)	(4)
Net cash used in financing activities – continuing operations		**(957)**	**(596)**	**(403)**
Decrease in cash and cash equivalents – discontinued operations		-	-	(215)
Transfer of cash and cash equivalents from (to) assets held for sale		-	29	(317)
Net effect of exchange rate variations		(33)	(30)	24
Other changes		2	(4)	(3)
Increase/(decrease) in cash and cash equivalents		**208**	**606**	**(103)**
Cash and cash equivalents at the beginning of the period		**1,907**	**1,301**	**1,404**
Cash and cash equivalents at the end of the period		**2,115**	**1,907**	**1,301**
Cash paid for income taxes		140	170	85
Cash paid for net interest		58	87	171
Net cash/net debt variation analysis**				
Increase/(decrease) in cash and cash equivalents		208	606	(103)
Increase/(decrease) in marketable securities and other current financial assets		(49)	175	(2)
Repayment of current and non-current borrowings***		956	335	369
Repayment of obligations under finance leases		38	38	42
Net debt of acquired entities at acquisition date		(210)	-	-
Net cash used in financing activities – discontinued operations		-	-	103
Net effect of exchange rate and other		25	30	(6)
Decrease in net debt		64	1,184	403
Increase in net cash		904	-	-
Net debt at the beginning of the period		**(64)**	**(1,248)**	**(1,651)**
Net debt at the end of the period		**-**	**(64)**	**(1,248)**
Net cash at the end of the period		**904**	**-**	**-**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

** The net cash/net debt is defined as cash and cash equivalents, marketable securities and other current financial assets (see Note 20) and non-current financial assets directly associated to liabilities included in financial debt (see Note 15), less financial debt (see Note 26).

*** Mainly bonds bought back and cancelled (see Note 26).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of recognised income and expenses

Year ended 31 March (in € million)	2008	2007*	2006*
Net income for the period	**862**	**538**	**261**
Fair value gains (losses), gross of tax			
- on available-for-sale financial assets	-	-	-
- on cash flow hedges	-	-	-
Currency translation adjustments	(34)	(3)	58
Actuarial gains (losses)**	30	51	(104)
Tax effect	6	(5)	(3)
Total movements in income and expense directly recognised in equity	**2**	**43**	**(49)**
Total recognised income and expense for the period	**864**	**581**	**212**
Attributable to:			
- Equity holders of the parent	857	592	206
- Minority interests	7	(11)	6

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

** See Note 2.A and Note 25.

The accompanying notes are an integral part of these consolidated financial statements.

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NOTE 1. DESCRIPTION OF BUSINESS

ALSTOM ("the Group") serves the power generation market through its Power Systems and Power Service Sectors, and the rail transport market through its Transport Sector. The Group designs, supplies, and services a complete range of technologically-advanced products and systems for its customers, and possesses a unique expertise in systems integration and through-life maintenance and services.

The main activities of the Group are described in Note 5.

NOTE 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

ALSTOM consolidated financial statements for the year ended 31 March 2008 have been prepared:

- in accordance with the International Financial Reporting Standards (IFRS) and interpretations as adopted for use by the European Union and whose application was mandatory as of 1 April 2007;
- using the same accounting policies and measurement methods as at 31 March 2007, with the exception of the method of recognition of actuarial gains and losses on post-employment defined benefit plans (see A. below).

The full set of standards adopted for use in the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The consolidated financial statements are presented in euro, and have been authorised for issue by the Board of Directors held on 6 May 2008.

A. CHANGE IN ACCOUNTING METHOD

With retrospective effect from 1 April 2005, the Group has adopted the option offered by the amendment to IAS 19 "Employee Benefits" to recognise directly in equity, net of deferred taxes, all actuarial gains and losses as well as any asset ceiling impacts on post-employment defined benefit plans. In previous periods, starting from the date of first-time adoption of IFRS (1 April 2004), the Group applied the corridor method under which actuarial gains or losses in excess of 10% of the greater of the future obligation or the fair value of plan assets were recognised in the income statement over the average remaining working lives of the employees.

This change in accounting method has resulted in additional temporary differences between the carrying amount of assets and liabilities related to these plans and their tax basis, but has no effect on the assessment made by the management at 31 March 2005, 31 March 2006 and 31 March 2007 regarding the recoverability of the net deferred tax assets by jurisdiction. As a consequence, no additional deferred tax asset has been recognised in jurisdictions where deferred tax assets were not already fully recognised.

The impact of this change in accounting method on the consolidated balance sheets is shown below:

At 31 March (in € million)	2007	2006	2005
Assets			
Other non-current assets	(433)	(395)	(373)
Deferred tax assets	27	21	24
	(406)	**(374)**	**(349)**
Liabilities and equity			
Equity attributable to equity holders of the Company	(896)	(1,052)	(1,008)
Accrued pension and other employee benefits	487	677	658
Deferred tax liabilities	3	1	1
	(406)	**(374)**	**(349)**

The impact of this change in accounting method on the consolidated income statements is shown below:

Year ended 31 March (in € million)	2007	2006
Earnings before interest and taxes	99	80
Net income	99	80

The consolidated income statements and balance sheet before the change in accounting method were as follows:

Year ended 31 March (in € million)	2007	2006
Sales	**14,208**	**13,413**
Cost of sales	(11,586)	(11,080)
Research and development expenditure	(456)	(364)
Selling expenses	(567)	(569)
Administrative expenses	(642)	(654)
Income from operations	**957**	**746**
Other income	18	233
Other expenses	(248)	(252)
Earnings before interest and taxes	**727**	**727**
Financial income (expenses), net	(111)	(222)
Pre-tax income	**616**	**505**
Income tax charge	(145)	(125)
Share in net income (loss) of equity investments	-	(1)
Net profit from continuing operations	**471**	**379**
Net (loss) from discontinued operations	**(32)**	**(198)**
Net profit (loss)	**439**	**181**
Attributable to:		
- Equity holders of the parent	448	178
- Minority interests	(9)	3

Earnings per share (in €)

Year ended 31 March	2007	2006
From continuing and discontinued operations		
- Basic	3.17	1.27
- Diluted	3.11	1.26
From continuing operations		
- Basic	3.40	2.68
- Diluted	3.33	2.65
From discontinued operations		
- Basic	(0.23)	(1.41)
- Diluted	(0.22)	(1.39)

Balance sheet

At 31 March (in € million)	2007		2007
Assets		**Equity and liabilities**	
		Equity attributable to the equity holders of the parent	2,229
		Minority interests	42
Goodwill	3,510	**Total equity**	**2,271**
Intangible assets	1,191	Non-current provisions	549
Property, plant and equipment	1,370	Accrued pension and other employee benefits	512
Associates and available-for-sale financial assets	34	Non-current borrowings	1,922
Other non-current assets	1,245	Non-current obligations under finance leases	775
Deferred taxes	1,280	Deferred taxes	47
Total non-current assets	**8,630**	**Total non-current liabilities**	**3,805**
Inventories	1,770	Current provisions	1,512
Construction contracts in progress, assets	2,858	Current borrowings	85
Trade receivables	2,886	Current obligations under finance leases	40
Other current assets related to operating activities	1,494	Construction contracts in progress, liabilities	7,239
Marketable securities and other current financial assets	197	Trade payables	2,976
Cash and cash equivalents	1,907	Other current liabilities	1,814
Total current assets	**11,112**	**Total current liabilities**	**13,666**
Total assets	**19,742**	**Total equity and liabilities**	**19,742**

B. EXEMPTIONS USED REGARDING THE RETROSPECTIVE APPLICATION OF IFRS AT THE DATE OF FIRST TIME APPLICATION OF IFRS (1 APRIL 2004)

When preparing the opening IFRS balance sheet at 1 April 2004, the Group has applied the following exemptions as authorised by IFRS 1:

- Business combinations: the Group elected not to apply retrospectively IFRS 3 to business combinations undertaken prior to 1 April 2004;
- Translation differences: all cumulative translation differences at 1 April 2004 have been transferred to the retained earnings;
- Share-based payments: the Group elected to apply IFRS 2 from 1 April 2004 only to instruments granted after 7 November 2002 and not fully vested at 1 January 2005.

C. STANDARDS AND INTERPRETATIONS BECOMING EFFECTIVE FOR THE PREPARATION OF YEAR-END CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2008

The following new or revised standards have become effective for the preparation of consolidated financial statements at 31 March 2008:

- Amendment to IAS 1 "Capital disclosures"; and
- IFRS 7 "Financial instruments: disclosures".

The adoption of these standards only impacts the content of the disclosures and has no effect on the accounting policies applied.

IAS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

IFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risk arising from those financial instruments.

The new disclosures are included throughout the financial statements.

The Group has not identified in the reported financial statements any transaction or assessment which would be in the scope of the following interpretations of the IFRIC which have newly become effective:

- IFRIC 8 "Scope of IFRS 2 – Share-based payments";
- IFRIC 9 "Reassessment of embedded derivatives";
- IFRIC 11 "Group and Treasury share transactions".

D. STANDARDS AND INTERPRETATIONS PUBLISHED BUT BECOMING EFFECTIVE AFTER THE PUBLICATION OF YEAR-END CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2008

The Group has not opted for an early application in the financial statements at 31 March 2008 of the following standards and interpretations:

- interpretations which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2009:
  - IFRIC 12 "Service Concession Arrangements", and
  - IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction";
- standards and Interpretation which, subject to endorsement by the European Union (except IFRS 8 already endorsed), will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2010:
  - Revised IAS 1 "Presentation of Financial Statements",
  - Amendment to IAS 23 "Borrowing Costs",
  - Revised IAS 32 "Amendments relating to puttable instruments and obligations arising on liquidation",
  - Revised IFRS 2 "Amendment relating to vesting conditions and cancellations",
  - IFRS 8 "Operating Segments",
  - IFRIC 13 "Customer Loyalty Programmes";
- standards which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2011:
  - Revised IFRS 3 "Business Combinations" and resulting amendments to IAS 27 "Consolidated and separate financial statements".

The Group is currently assessing the potential impacts of these new standards and interpretations.

NOTE 3. SUMMARY OF ACCOUNTING POLICIES

A. CONSOLIDATION METHODS

Subsidiaries

Entities over which the Group exercises exclusive control are fully consolidated. Exclusive control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities, whether it holds shares or not.

Inter company balances and transactions are eliminated.

Results of operations of subsidiaries acquired or disposed of during the year are recognised in the consolidated income statements as from the date of acquisition or up to the date of disposal, respectively.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the equity holders of the parent. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the equity attributable to the equity holders of the parent, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in joint ventures

Entities over which the Group exercises joint control are consolidated according to the proportionate method whereby the Group's share of the joint ventures' results, assets and liabilities is recorded in the consolidated financial statements.

Investments in associates

Entities in which the Group exercises significant influence, but not control, are accounted for under the equity method.

Under the equity method, investments in associates are carried, in the consolidated balance sheet, at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised, except if the Group has a legal or implicit obligation.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

B. USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make various estimates and to use assumptions regarded as realistic and reasonable. These estimates or assumptions could affect the value of the Group's assets, liabilities, equity, net profit and contingent assets and liabilities at the date of the financial statements. Management reviews estimates on an ongoing basis using currently available information. Actual results may differ from those estimates, due to changes in facts and circumstances.

The accounting policies most affected by the use of estimates are the following:

Revenue and margin recognition on construction and long-term service contracts and related provisions

The Group recognises revenue and gross margin on construction and long-term service contracts using the percentage of completion method based on milestones; in addition, when a project review indicates a negative gross margin, the loss related to work not yet performed is immediately recognised.

Recognised revenue and margin are thus based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and costs on a contract reflect management's current best estimate of the probable future benefits and obligations associated with the contract. Assumptions to calculate present and future obligations take into account current technology as well as the commercial and contractual positions, assessed on a contract-by-contract basis. The introduction of technologically-advanced products exposes the Group to risks of product failure significantly beyond the terms of standard contractual warranties applicable to suppliers of equipment only.

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications, suppliers or subcontractors' failure to perform or delays caused by unexpected conditions or events.

Similarly, warranty obligations are affected by product failure rates, material usage and service delivery costs incurred in correcting failures.

Although the Group makes individual assessments on contracts, there is a risk that actual costs related to those obligations may exceed the initial estimates. Depending whether the contract is still in progress or not, estimates of contract costs and revenues at completion or provisions may then have to be re-assessed.

Appraisal of deferred tax assets

Management judgment is required to determine the extent to which deferred tax assets can be recognised taking into account future taxable income and tax planning strategies.

Pension and other employee benefits

The measurement of obligations and assets related to defined benefit plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the expected return on plan assets, the rate of future compensation increases as well as withdrawal and mortality rates. If actuarial assumptions materially differ from actual results, it could result in a significant change in employee benefit expense recognised in the income statement, actuarial gains and losses recognised through equity and prepaid and accrued benefits.

Appraisal of assets

Goodwill is tested for impairment annually at closing date and additionally whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The discounted cash flow model used to determine the fair value of cash generating units includes a number of factors among which estimates of future cash flows, discount rates and other variables, and then requires significant exercise of judgment.

Impairment tests performed on intangible and tangible assets are also based on the same nature of assumptions. Future adverse changes in market conditions or poor operating results from underlying assets could result in an inability to recover their current carrying value.

Inventories

Inventories and work in progress are measured at the lower of cost or net realisable value. Write-down of inventories and work in progress are calculated based on an analysis of foreseeable changes in demand, technology or market conditions in order to determine obsolete or excess inventories and work in progress.
If actual market conditions are less favourable than those projected, additional inventory write downs may be required.

C. SALES AND COSTS GENERATED BY OPERATING ACTIVITIES

Measurement of sales and costs

The amount of revenue arising from a transaction is usually determined by the contractual agreement with the customer.

In the case of construction contracts, claims are considered in the determination of contract revenue only when it is highly probable that the claim will result in additional revenue and the amount can be reliably estimated.

Conversely, penalties are taken into account in reduction of contract revenue as soon as they are probable.

Production costs include direct costs (such as material, labour and warranty costs) and indirect costs. Warranty costs are estimated on the basis of contractual agreement, available statistical data and weighing of all possible outcomes against their associated probabilities. Warranty periods may extend up to five years.

Selling and administrative expenses are excluded from production costs.

Recognition of sales and costs

Revenue on sale of manufactured products and short-term service contracts (duration of less than one year) is recognised when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery or performance of the related service. All production costs incurred or to be incurred in respect of the sale are charged to cost of sales at the date of recognition of sales.

Revenue on construction contracts and long-term service agreements is recognised based on the percentage of completion method: the stage of completion is assessed by milestones which ascertain the completion of a physical proportion of the contract work or the performance of services provided for in the agreement. The excess of revenue measured according to the percentage of completion over the revenue recognised in prior periods is the revenue for the period.

Cost of sales on construction contracts and long-term service agreements is computed on the same basis. The excess of cost measured according to the percentage of completion over the cost of sales recognised in prior periods is the cost of sales for the period. As a consequence, adjustments to contract estimates resulting from work conditions and performance are recognised in cost of sales as soon as they occur, prorata to the stage of completion.

When the outcome of a contract cannot be estimated reliably but the contract overall is expected to be profitable, revenue is still recognised based on milestones, but margin at completion is adjusted to nil.

When it is probable that contract costs at completion will exceed total contract revenue, the expected loss is recognised immediately as an expense.

With respect to construction contracts and long-term service agreements, the aggregate amount of costs incurred to date *plus* recognised margin *less* progress billings is determined on a contract-by-contract basis. If the amount is positive, it is included as an asset designated as "Construction contracts in progress, assets". If the amount is negative, it is included as a liability designated as "Construction contracts in progress, liabilities".

The caption "Construction contracts in progress, liabilities" also includes down-payments received from customers.

Recognition of overhead expenses

Research expenditure is expensed as incurred. Development costs are expensed as incurred unless the project they relate to meets the criteria for capitalisation (see Note 3.J).

Selling and administrative expenses are expensed as incurred.

D. INCOME (LOSS) FROM OPERATIONS

Income (loss) from operations includes gross margin, research and development expenditure, selling and administrative expenses. It includes in particular the service cost of employee defined benefits, the cost of share-based payments and employee profit sharing, foreign exchange gains or losses associated with operating transactions, including hedge accounting impacts, and capital gains (losses) on disposal of intangible and tangible assets arising from ordinary activities.

E. OTHER INCOME AND OTHER EXPENSES

Other income includes capital gains on disposal of investments or activities and capital gains on disposal of tangible assets arising from activities disposed of or facing restructuring plans as well as any income associated to past disposals.

Other expenses include capital losses on disposal of investments or activities and capital losses on disposal of tangible assets arising from activities disposed of or facing restructuring plans as well as any costs associated to past disposals, restructuring costs, impairment losses on assets and a portion of costs of employee defined benefits (amortisation of unrecognised prior service cost, impacts of curtailments and settlements and amortisation of actuarial gains and losses referring to long-term benefits other than post-employment benefits).

F. FINANCIAL INCOME AND EXPENSES

Financial income and expenses include:

- interest charges and income related to the financial debt which consists of bonds, the debt component of compound instruments, other borrowings and lease-financing liabilities;
- other expenses paid to financial institutions for financing operations;
- interest charges and bank fees relating to securitisation of receivables;
- the financial component of the cost of employee defined benefits (interest cost and expected return on assets);
- dividends received from non consolidated investments;
- foreign exchange gains and losses including hedge accounting impacts associated to financing transactions;
- other income or expense from cash and cash equivalents and marketable securities.

G. TRANSLATION OF FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in euros.

Functional currency is the currency of the primary economic environment in which a reporting entity operates, which in most cases corresponds to the local currency. However, certain reporting entities may have a functional currency different from local currency when that other currency is used for the entity's main transactions and better reflects its economic environment.

Assets and liabilities of entities the functional currency of which is other than the euro are translated into euros at closing exchange rate at the end of each reporting period while their income and cash flow statements are translated at the average exchange rate for the period. The currency translation adjustments resulting from the use of different currency rates for opening balance sheet positions, transactions of the period and closing balance sheet positions are recorded as income and expense directly recognised in equity. Translation adjustments are taken to the consolidated income statement at the time of the disposal of the related entity.

Goodwill and fair value adjustments arising on the acquisition of entities whose functional currency is not euro are designated as assets and liabilities of those entities and therefore denominated in their functional currencies and translated at the closing rate at the end of each reporting period.

H. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency of the reporting unit and the foreign currency at the date of the transaction. Currency units held and assets and liabilities to be received or paid resulting from those transactions are re-measured at closing exchange rates at the end of each reporting period. Realised exchange gains or losses at date of payment as well as unrealised gains or losses deriving from re-measurement are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

Since the Group is exposed to foreign currency volatility, the Group puts in place a significant volume of hedges to cover this exposure. These derivatives are recognised on the balance sheet at their fair value at the closing date.

Providing that the relationships between the foreign currency exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. A relationship qualifies for hedge accounting if, at the inception of the hedge, it is formally designated and documented and if it proves to be highly effective throughout the financial reporting periods for which the hedge was initially designated.

Hedging relationships could be of three types:

- cash flow hedge in case of hedge of the exposure to variability of cash flows attributable to highly probable forecast transactions;
- fair value hedge in case of hedge of the exposure attributable to recognised assets, liabilities or firm commitments;
- hedge of net investment in foreign subsidiaries.

Cash flow hedge

When cash flow hedge accounting applies, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised through equity. When the forecast transaction results in the recognition of a financial asset or liability, the amounts previously recognised directly in equity are recycled into the income statement. When the forecast transaction results in the recognition of a non financial asset or liability (for instance, inventories or construction contracts in progress), the gain or loss that was directly recognised in equity is included in the carrying amount of the asset or liability.

Fair value hedge

When fair value hedge accounting applies, changes in the fair value of derivatives and changes in the fair value of hedged items are both recognised in the income statement and offset each other, up to the gain or loss on the effective portion of the hedging instrument.

Hedge of net investment in foreign subsidiaries

In this situation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. This amount is reclassified to the income statement on disposal of the investment.

Whatever the type of hedge, the ineffective portion of the hedging instrument is recognised in the income statement.

Realised and unrealised exchange gains and losses on hedged items and hedging instruments are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

Sales and costs resulting from commercial contracts are recognised at the spot rate at inception of the hedge throughout the life of the related commercial contracts, provided that the corresponding hedging relationships keep on qualifying for hedge accounting.

The Group also uses export insurance policies to hedge its currency exposure on certain contracts during the open bid as well as after the award of the contracts. During the bid period, those insurance instruments are not recognised on the balance sheet. If the contract is awarded, insurance instruments are recognised and remeasured in the same way as foreign currency exchange forward contracts.

I. GOODWILL

Goodwill represents the excess of the cost of acquisition over the interest in the fair values of assets acquired and liabilities and contingent liabilities assumed in a business combination. Initial estimates of fair values are finalised within twelve months after the date of acquisition and any adjustments in these fair values are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the income statement.

Goodwill is not amortised but tested for impairment at least annually during the second half of the year (see Note 3.L).

J. INTANGIBLE ASSETS

Intangible assets include acquired intangible assets (such as technology and licensing agreements) and internally generated intangible assets (mainly development costs).

Acquired intangible assets

Acquired intangible assets are initially measured at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives can extend to twenty years due to the long-term nature of the underlying contracts and activities. The amortisation expense is recorded in cost of sales, research and development expenditure, selling expenses or administrative expenses, based on the function of the underlying assets.

Internally generated intangible assets

Research expenditure is expensed as incurred. Development costs are expensed as incurred unless the project they relate to meets the following criteria for capitalisation:
- the project is clearly defined and its related costs are separately identified and reliably measured;
- the technical feasibility of the project is demonstrated;
- the intention exists to complete the project and to use or sell it;
- adequate financial resources are available to complete the project;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset. The amortisation charge is reported in research and development expenditure.

K. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When an item of property, plant and equipment is made up of components with different useful lives, the total cost is allocated between the various components which are then separately depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of each component. The useful lives most commonly used are the following:

	Estimated useful life in years
Buildings	15-30
Machinery and equipment	7-12
Tools, furniture, fixtures and others	3-7

Useful lives are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis. The depreciation expense is recorded in cost of sales, selling expenses or administrative expenses, based on the function of the underlying assets.

Property, plant and equipment acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised. They are recognised at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financing obligation. Lease payments are apportioned between finance charges and reduction in the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the term of the relevant lease, when shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

L. IMPAIRMENT OF GOODWILL, TANGIBLE AND INTANGIBLE ASSETS

Goodwill, intangible assets having an indefinite useful life and intangible assets not yet available for use are tested for impairment annually or when there are indications that they may be impaired. Tangible and intangible assets having a definite useful life are tested for impairment only if there are indications of impairment.

The impairment test methodology is based on a comparison between the recoverable value of each of the asset with its net carrying value. The recoverable amount is the higher of fair value less costs to sell and value in use. The recoverable value of an asset is individually assessed unless the asset does not generate cash inflows independent of those from other assets or groups of assets. These groups of assets are designated as cash-generating units.

With respect to goodwill and internally generated or acquired technology, the identified cash generating units are the reportable segments as detailed in Note 5.

The valuation performed is based upon the Group's internal three-year business plan prepared as part of its annual budget exercise at Sector level. Cash flows beyond this period are estimated using a steady or declining growth rate for the subsequent years. The recoverable amount is the sum of the discounted cash flows and of the discounted terminal residual value. Discount rates are determined using the weighted-average cost of capital of each Sector.

Recoverable values are significantly impacted by estimates of future prices of products and services, the evolution of costs, economic trends, the expectations on long-term development of emerging markets and other factors. They also depend on the discount rates and perpetual growth rates used.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised immediately in the income statement.

In case of an impairment loss attributable to a cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non current assets of the unit on a prorata basis of the carrying amount of each asset in the unit. The impairment loss is immediately recognised in the income statement.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

When an impairment loss not allocated to goodwill subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

M. FINANCIAL ASSETS

Loans and deposits

Loans are initially measured at their fair value, plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Deposits are reported as financial assets when their initial maturity is more than three months and as cash and cash equivalents in case of demand deposits or when the initial maturity is less than three months.

If there is any indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded as a financial expense. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported as a financial income.

Investments and debt securities

Investments in non-consolidated companies are designated as available-for-sale financial assets under IAS 39 classification. They are initially measured at their fair value, plus directly attributable transaction costs and subsequently measured at fair value.

The fair value of listed securities corresponds to the market value at the balance sheet date. A valuation model is used in case of unlisted securities. Changes in fair value are directly recognised in shareholders' equity until the security is disposed of or is determined to be impaired. On disposal or in case of significant or prolonged decline in the fair value, the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit and loss for an investment in an equity instrument are not reversed through profit and loss. Conversely, if, in a subsequent period, the fair value of an investment in a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

Investments in non-consolidated companies, the fair value of which cannot be determined reliably, are measured at cost. Any impairment loss recognised for such investment is not reversed in a subsequent period, except when disposed of.

All debt securities that the Group has the expressed intention and ability to hold to maturity are designated as held-to-maturity financial assets under IAS 39 classification. They are therefore measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect amounts expected not to be recoverable. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the investment's carrying value and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed through profit and loss in subsequent periods when an increase in the investment's recoverable amount can be objectively related to an event occurring after the impairment was recognised.

Marketable securities are securities held for trading which cannot be considered as cash and cash equivalents. They are designated as financial asset at fair value through profit or loss under IAS 39 classification. Changes in fair value are therefore reported as financial income or expense.

Derivative financial instruments

Derivative financial instruments are recognised and re-measured at fair value (see Note 3.H for foreign currency hedging instruments and Note 3.S for interest rate hedging instruments).

Receivables

Receivables are initially recognised at fair value, which in most cases is represented by the nominal value. If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded within income from operations. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported within income from operations.

N. INVENTORIES

Raw materials and supplies, work in progress and finished products are stated at the lower of cost, using the weighted average cost method, or net realisable value. Inventory cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

O. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

P. TAXATION

Temporary differences arising between the carrying amount and the tax base of assets and liabilities, unused tax losses and unused tax credits are identified for each taxable entity. Corresponding deferred taxes are calculated at the enacted tax rates that are expected to apply in the period when the asset is realised or the liability settled.

Deferred tax assets are recognised on all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of certain taxable temporary differences between the Group's share in the net assets in subsidiaries, joint ventures and associates and their tax base. The most common situation when such exception applies relates to undistributed profits of subsidiaries where distribution to the shareholders would trigger a tax liability: when the Group has determined that profits retained by the subsidiary will not be distributed in the foreseeable future, no deferred tax liability is recognised.

Deferred tax assets and liabilities are offset when both of the following conditions are met:
- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and,
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Q. PROVISIONS

As long as a construction contract or a long-term service agreement is in progress, obligations attributable to such a contract are taken into account in the assessment of the margin to be recognised and are therefore reported within the accounts "Construction contracts in progress, assets" or " Construction contracts in progress, liabilities".

Upon completion of the contract, such obligations are recognised as distinct liabilities when they satisfy the following criteria:
- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation; and
- such outflow can be reliably estimated.

These liabilities are presented as provisions when they are of uncertain timing or amount. When this uncertainty is dispelled, they are presented as trade payables or other current liabilities.

Obligations resulting from transactions other than construction contracts and long-term service agreements are directly recognised as provisions as soon as the above-described criteria are met.

Where the effect of the time value of money is material, provisions are measured at their present value.

Restructuring provisions are made when plans to reduce or close facilities, or to reduce the workforce have been finalised and approved by the Group management and have been announced before the balance sheet date, resulting in an obligation of the Group to third parties. Restructuring costs include employees' severance and termination benefits and estimated facility closing costs. In addition to such provisions, restructuring costs may include asset write-off related to the concerned activities.

R. FINANCIAL LIABILITIES

Bonds and borrowings

Bonds and interest-bearing bank loans are initially recognised at fair value, less any transaction costs directly attributable to the issuance of the liability. Bond issuance costs and premiums are not included in the initial cost, but are taken into account in calculating amortised cost under the effective interest rate method. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Renegotiations of the terms of borrowings and similar operations are recorded as an extinction of the former liability with recognition of a new liability only if there are substantial differences between the old and new terms. When this is the case, the costs borne for renegotiation are included in the financial expenses for the period when the negotiation took place, as a component of the gain or loss on extinction of the former liability.

Certain financial instruments (such as bonds reimbursable with shares) include both a financial debt component and a shareholders' equity component. Those components are classified separately as financial debt and equity instruments.

The measurement of the debt component at the date of issuance is represented by the present value of future cash flows for a similar instrument with the same conditions (maturity, cash flows), but without an option or an obligation for conversion or redemption in shares. This liability is subsequently re-measured at amortised cost, using the effective interest rate.

The equity component is the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Derivative financial instruments

Derivative financial instruments are recognised and re-measured at fair value (see Note 3.H for foreign currency hedging instruments and Note 3.S for interest rate hedging instruments).

Payables

Payables are initially recognised at fair value, which in most cases is represented by the nominal value. They are subsequently re-measured at amortised cost.

S. INTEREST RATE DERIVATIVES

The Group may enter into hedges for the purposes of managing its exposure to movements in interest rates. Derivatives are recognised on the balance sheet at fair value at the closing date. Providing that the relationships between the interest rate exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. Fair value or cash flow hedge accounting is applied to fixed and floating rate borrowings, respectively.

In the case of fair value hedge relationships, the re-measurement of the fixed rate borrowing is offset in the income statement by the movement in the fair value of the derivative. In the case of cash flow hedge relationships, the change in fair value of the derivative is recognised directly in equity. When the forecast transaction results in the recognition of a monetary item, the amounts previously recognised directly in equity are reclassified to the income statement.

T. SHARE-BASED PAYMENTS

The Group issues equity-settled and cash-settled share-based payments to certain employees. In accordance with IFRS 2, only instruments granted after 7 November 2002 and not fully vested at 1 January 2005 are measured and accounted for as employee costs.

Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non market-based conditions) using the binomial pricing model. The cumulative recognised expense is based on the fair value at grant date and on the estimated number of shares that will eventually vest (including the effect of non market-based vesting conditions). It is recorded in income from operations throughout the vesting period with a counterpart in equity.

Cash-settled share-based payments

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

The Group may also provide employees with the ability to purchase the Group's ordinary shares at a discounted current market value. In that case, the Group records an expense, based on its estimate of the discount related to shares expected to vest.

U. PENSION AND OTHER EMPLOYEE BENEFITS

The Group provides to its employees various types of post-employment benefits and other long-term benefits such as jubilee awards, deferred compensation scheme and post-retirement medical benefits. The type of benefits offered to an individual employee is related to local legal requirements as well as operating practices of the specific subsidiaries.

Post-employment defined benefit plans

For single employer defined benefit plans, the Group uses the Projected Unit Credit Method to determine the present value of its obligations and the related current and past service costs/profits.

This method considers the actuarial assumptions' best estimates including the probable future length of the employees' service, the employees' final pay and the expected average life span.

Most defined benefit pension liabilities are funded through separate pension funds. Plan assets related to funded plans are invested mainly in equity and debt securities. Other supplemental pension plans sponsored by the Group for certain employees are paid from the Group's assets as they become due. Post-employment medical benefits plans are predominantly unfunded.

Every semester, the Group reviews plan assets and obligations. The effects of any change in actuarial assumptions together with the differences between forecast and actual experience are assessed. The Group recognises directly through equity the full amount of any actuarial gains and losses as well as the effect of any asset ceiling.

The estimated cost of providing defined benefits to employees is accrued during the years in which the employees render services. In the income statement, the service cost element of benefit costs is included in the income from operations. The amortisation of unrecognised prior service cost/profit and specific events impacts (*i.e.* curtailments) are recognised in other expenses. Financial elements of the benefit cost such as interest cost and expected return on assets are included in financial income (expenses).

The Group also participates, mainly in the United States and in Canada, in multi-employer defined benefit plans. As corresponding funds are not able to provide sufficient information to use defined benefit accounting, these plans are accounted for as defined contribution plans (see below).

Post-employment defined contribution plans

For defined contribution plans, the Group pays contributions to independently administered funds at a fixed percentage of employees' pay. These contributions are recorded as operating expenses.

Other long-term employee benefits

The accounting method used when recognising obligations arising from other long-term employee benefits is similar to the method used for post-employment defined benefits, except that prior service cost and actuarial gains/losses are immediately recognised in full in "other income/expenses" in the income statement.

V. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held for sale if their carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell and are not amortised or depreciated anymore.

A discontinued operation is a component of the Group that meets both of the following criteria:
- it has been disposed of or it is classified as held for sale; and
- it represents a separate major line of business or geographical area of operations; or it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or it is a subsidiary acquired exclusively with a view to resale.

Amounts included in the income statement and cash flow statement related to these discontinued operations are disclosed separately for the current year and all prior years presented in the financial statements if they are material.

W. EARNINGS PER SHARE

Basic earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds reimbursable with shares, by the weighted average number of outstanding shares during the period, increased by the weighted average number of shares to be issued on reimbursement of bonds reimbursable with shares ("ORA").

Diluted earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds reimbursable with shares, by the weighted average number of outstanding shares during the period, adjusted in order to take into consideration all dilutive instruments (ORA, stock options, free shares).

X. BORROWING COSTS

The Group does not capitalise interest expenses attributable to the acquisition, construction or production of assets. Borrowing costs are recognised as an expense in the period in which they are incurred.

Y. EXCHANGE RATES USED FOR THE TRANSLATION OF MAIN CURRENCIES

	At 31 March 2008		At 31 March 2007		At 31 March 2006	
(€ for 1 monetary unit)	Average	Closing	Average	Closing	Average	Closing
British pound	1.417540	1.256597	1.474594	1.471021	1.465784	1.435956
Swiss franc	0.610175	0.635405	0.629045	0.615498	0.643819	0.632871
U.S. dollar	0.706320	0.632431	0.774747	0.750863	0.825792	0.826173
Brazilian real	0.380985	0.362924	0.360684	0.368202	0.360145	0.377223
Indian rupee	0.017595	0.015825	0.017185	0.017446	0.018647	0.018509
Chinese yuan	0.094738	0.090192	0.098198	0.097300	0.101717	0.103029

NOTE 4. MAIN ACQUISITIONS, PARTNERSHIPS, DISPOSALS OF COMPANIES AND CHANGES IN SCOPE OF CONSOLIDATION

The main changes in the scope of consolidated companies for the years ended 31 March 2008, 31 March 2007 and 31 March 2006 are the following:

YEAR ENDED 31 MARCH 2008

- On 31 October 2007, the Group acquired 100% of the Ecotècnia group, a Spanish wind turbine company. The equity price excluding debt amounts to €294 million (see Note 12).
- On 11 July 2007, in accordance with Chinese stock market regulations, the Group launched a general offer on Wuhan Boilers Company, Chinese fourth largest boilermaker for coal-fired power plants. The Group acquired 51% of the company for €32.8 million and the acquisition was completed on 25 September 2007.
- On 29 June 2007, the Group and JSC Atomenergomash signed the constituent documents of a joint venture dedicated to manufacturing the conventional islands of Russian nuclear power plants. The 49% held by the Group allow significant influence over the financial and operating policies of the joint venture. Accordingly, the joint venture is accounted for using the equity method and represents €20 million (see Note 14 and Note 33).

YEAR ENDED 31 MARCH 2007

- On 29 March 2007, the Group acquired Quingdao Sizhou Electric Power Equipment Limited and Quingdao Sizhou Boiler Auxiliary Company Limited, two Chinese companies specialised in ash handling systems and the related service business. The acquisition price amounted to €35 million.
- On 22 March 2007, the Group acquired the assets and liabilities of Power Systems Manufacturing, LLC (PSM), a US-based high tech company with a leading position as independent provider of improved gas-turbine parts and low-Nox upgrade solutions for gas turbines. The acquisition price amounted to $242 million.
- On 29 September 2006, Bouygues and the Group signed a binding agreement granting Bouygues a 50% interest in ALSTOM Hydro activities for €150 million, the Group having previously subscribed €300 million convertible bonds in ALSTOM Hydro Holding. Following clearance from all relevant anti-trust authorities, this operation was completed on 31 October 2006. In November 2009, the Group has the option to convert its bonds into ALSTOM Hydro Holding shares. At the same date, Bouygues has the option to:
  - sell its ALSTOM Hydro Holding shares back to the Group for €175 million or exchange them for 2.2 million ALSTOM shares or the equivalent in cash should the Group fail to deliver shares;
  - remain as a shareholder with the possibility to retain, through capital injection, its 50% share in ALSTOM Hydro Holding.

  In addition, until 31 October 2009, the Group has specific rights, in particular in the event of disagreements between the shareholders. Hydro activities remain fully consolidated with no minority interests and obligations towards Bouygues are recorded as a financial liability (see Note 26).
- On 24 August 2006, the Group completed the acquisition of Shenzhen Strongwish, a Chinese company specialised in the design and delivery of remote monitoring and diagnosis services for a total of €26 million.
- On 31 May 2006, the sale of 75% interests in the Marine Sector to Aker Yards was completed and this Sector has been deconsolidated from that date. The sale took place through the creation of a new company comprising the shipyards in Saint-Nazaire and Lorient, 75% of which is owned by Aker Yards and 25% by the Group. At 31 March 2007, this 25% interest is accounted for in investments. The remaining stake held by the Group will be sold to Aker Yards by 2010 through a put and call agreement, at a price depending on the financial performance up to €125 million.

YEAR ENDED 31 MARCH 2006

- On 24 October 2005, the Group and Austrian Energy and Environment AG signed binding agreements for the sale of the Industrial Boilers business, part of the Power Systems Sector.

The sale of the business was completed on 30 November 2005 in Australia and Thailand and on 31 May 2006 in Germany and Czech Republic, respectively. These activities have been deconsolidated from that date.

- On 30 September 2005, the Group signed a binding agreement to sell its Power Conversion activities to Barclays Private Equity. On 10 November 2005, the Group completed the sale and these activities have been deconsolidated from 1 November 2005.
- On 2 June 2005, the Group signed a binding agreement for the sale of its transport operations in Australia and New Zealand. On 16 September 2005, the sale was completed and this business has been deconsolidated from 1 September 2005.
- On 24 May 2005, a sale agreement related to the FlowSystems business was signed. On 18 August 2005, the Group completed the sale and the business has been deconsolidated from that date.

NOTE 5. SECTOR AND GEOGRAPHICAL DATA

A. SECTOR DATA

The Group is managed through sectors of activity and has determined its reportable segments accordingly. At 31 March 2008, the Group is organised in three Sectors.

Power Systems

Power Systems provides steam turbines, gas turbines, wind turbines, generators and power plant engineering, as well as hydro equipments and systems. It also focuses on boilers and emissions control equipment in the power generation, petrochemical and industrial markets. Finally, it serves demand for upgrades and modernisation of existing power plants.

Power Service

Power Service promotes the service activities relating to the Power Systems Sector in all geographical markets.

Transport

Transport provides equipment, systems, and customer support for rail transportation activities, including passenger trains, locomotives, signalling equipment, rail components and services.

At 31 March 2008

(in € million)	Power Systems	Power Service	Transport	Corporate & other[1]	Eliminations	Total
Sales	8,082	3,803	5,512	29	(518)	16,908
Inter-sector eliminations	(314)	(201)	(3)	-	518	-
Total sales	**7,768**	**3,602**	**5,509**	**29**	**-**	**16,908**
Income (loss) from operations	**415**	**592**	**397**	**(109)**	**-**	**1,295**
Earnings (loss) before interest and taxes	**408**	**593**	**368**	**(148)**	**-**	**1,221**
Financial income (expenses)						(69)
Income tax						(291)
Share in net loss of equity investments						1
Net profit from continuing operations						**862**
Net loss from discontinued operations						**-**
Net profit						**862**
Segment assets[2]	**7,139**	**4,749**	**4,940**	**599**	**-**	**17,427**
Deferred taxes (assets)						1,070
Prepaid pension and other employee benefits						17
Financial assets						2,831
Total assets						**21,345**
Segment liabilities[3]	**8,076**	**2,525**	**5,024**	**727**	**-**	**16,352**
Deferred taxes (liabilities)						3
Accrued pension and other employee benefits						818
Financial debt						1,927
Total equity						2,245
Total equity and liabilities						**21,345**
Capital employed[4]	**(937)**	**2,224**	**(84)**	**(128)**	**-**	**1,075**
Capital expenditure	**226**	**70**	**171**	**31**	**-**	**498**
Depreciation and amortisation in EBIT	**126**	**73**	**101**	**41**	**-**	**341**

(1) Corporate & other includes all units bearing Corporate costs, the Group International Network and overseas entities that are not allocated to Sectors.

(2) Segment assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, associates and available-for-sale financial assets, other non-current assets (excluding prepaid pension and other employee benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(3) Segment liabilities are defined as the closing position of current and non-current provisions and current liabilities (excluding current borrowings and current obligations under finance leases).

(4) Capital employed corresponds to segment assets minus segment liabilities.

At 31 March 2007

(in € million)	Power Systems	Power Service	Transport	Corporate & other[1]	Eliminations	Total
Sales	5,975	3,386	5,288	49	(490)	14,208
Inter-sector eliminations	(302)	(188)	-	-	490	-
Total sales	**5,673**	**3,198**	**5,288**	**49**	**-**	**14,208**
Income from operations	**201**	**510**	**350**	**(104)**	**-**	**957**
Earnings (loss) before interest and taxes[2]	**194**	**504**	**293**	**(165)**	**-**	**826**
Financial income (expenses)						(111)
Income tax						(145)
Share in net loss of equity investments						-
Net profit from continuing operations[2]						**570**
Net loss from discontinued operations						**(32)**
Net profit[2]						**538**
Segment assets[2][3]	**5,386**	**4,359**	**5,079**	**436**	**-**	**15,260**
Deferred taxes (assets)[2]						1,307
Prepaid pension and other employee benefits[2]						11
Financial assets						2,758
Total assets[2]						**19,336**
Segment liabilities[4]	**6,034**	**2,253**	**5,119**	**684**	**-**	**14,090**
Deferred taxes (liabilities)[2]						50
Accrued pension and other employee benefits[2]						999
Financial debt						2,822
Total equity[2]						1,375
Total equity and liabilities[2]						**19,336**
Capital employed[5]	**(648)**	**2,106**	**(40)**	**(248)**	**-**	**1,170**
Capital expenditure	**124**	**65**	**157**	**49**	**-**	**395**
Depreciation and amortisation in EBIT	**113**	**64**	**123**	**47**	**-**	**347**

(1) Corporate & other includes all units bearing Corporate costs, the Group International Network and overseas entities that are not allocated to Sectors (mainly India).

(2) Restated further to the retrospective application of the change in accounting method regarding post-employment defined benefit plans (see Note 2.A).

(3) Segment assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, associates and available-for-sale financial assets, other non-current assets (excluding prepaid pension and other employee benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(4) Segment liabilities are defined as the closing position of current and non-current provisions and current liabilities (excluding current borrowings and current obligations under finance leases).

(5) Capital employed corresponds to segment assets minus segment liabilities. The decrease in the capital employed from 31 March 2006 to 31 March 2007 is explained for €700 million by the release of a deposits securing the Bonding Guarantee Facility classified in the Sector "Corporate & other" at 31 March 2007.

At 31 March 2006

(in € million)	Power Systems	Power Service	Transport	Corporate & other(1)	Eliminations	Total
Sales	5,396	3,062	5,129	376	(550)	13,413
Inter-sector eliminations	(317)	(209)	(1)	(23)	550	-
Total sales	**5,079**	**2,853**	**5,128**	**353**	**-**	**13,413**
Income from operations	**101**	**442**	**324**	**(121)**	**-**	**746**
Earnings (loss) before interest and taxes(2)	**75**	**407**	**256**	**(11)**	**80**	**807**
Financial income (expenses)						(222)
Income tax						(125)
Share in net income of equity investments						(1)
Net profit from continuing operations(2)						**459**
Net loss from discontinued operations						**(198)**
Net profit(2)						**261**
Segment assets(2)(3)	**4,633**	**3,868**	**4,224**	**1,558**	**-**	**14,283**
Deferred taxes (assets)(2)						1,270
Prepaid pension and other employee benefits(2)						14
Financial assets						1,323
Assets held for sale						1,144
Total assets(2)						**18,034**
Segment liabilities(4)	**5,072**	**2,078**	**4,099**	**774**	**-**	**12,023**
Deferred taxes (liabilities)(2)						40
Accrued pension and other employee benefits(2)						1,469
Financial debt						2,571
Total equity(2)						788
Liabilities associated with assets held for sale						1,143
Total equity and liabilities(2)						**18,034**
Capital employed(5)	**(439)**	**1,790**	**125**	**784**	**-**	**2,260**
Capital expenditure	**103**	**35**	**125**	**31**	**-**	**294**
Depreciation and amortisation in EBIT	**125**	**61**	**116**	**111**	**-**	**413**

(1) Corporate & other includes all units bearing Corporate costs, the Group International Network and overseas entities that are not allocated to Sectors (mainly India).

(2) Restated further to the retrospective application of the change in accounting method regarding post-employment defined benefit plans (see Note 2.A).

(3) Segment assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, associates and available-for-sale financial assets, other non-current assets (excluding prepaid pension and other employee benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(4) Segment liabilities are defined as the closing position of current and non-current provisions and current liabilities (excluding current borrowings and current obligations under finance leases).

(5) Capital employed corresponds to segment assets minus segment liabilities.

B. GEOGRAPHICAL DATA

Sales by country of destination and capital expenditure by country:

Year ended 31 March 2008

(in € million)	Sales by country of destination	Capital expenditure	
		Tangible	Intangible
Euro zone(1)	5,432	117	98
Rest of Europe	2,876	117	39
North America	3,109	67	2
South & Central America	881	10	-
Asia & Pacific	3,058	42	1
Middle East & Africa	1,552	5	-
Total Group	**16,908**	**358**	**140**

Total capital expenditure amounts to €498 million for the year ended 31 March 2008. Without capitalisation of development costs of €124 million (see Note 6), capital expenditure amounts to €374 million.

Year ended 31 March 2007

(in € million)	Sales by country of destination	Capital expenditure	
		Tangible	Intangible
Euro zone(1)	4,676	97	99
Rest of Europe	2,246	76	28
North America	2,442	38	1
South & Central America	854	8	-
Asia & Pacific	2,505	46	-
Middle East & Africa	1,485	2	-
Total Group	**14,208**	**267**	**128**

Total capital expenditure amounts to €395 million for the year ended 31 March 2007. Without capitalisation of development costs of €115 million (see Note 6), capital expenditure amounts to €280 million.

Year ended 31 March 2006

(in € million)	Sales by country of destination	Capital expenditure	
		Tangible	Intangible
Euro zone(1)	4,221	65	58
Rest of Europe	2,080	37	34
North America	2,172	22	-
South & Central America	891	6	-
Asia & Pacific	2,747	66	3
Middle East & Africa	1,302	3	-
Total Group	**13,413**	**199**	**95**

(1) Euro zone comprises Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Slovenia, Spain and Portugal.

Total capital expenditure amounts to €294 million for the year ended 31 March 2006. Without capitalisation of development costs of €87 million (see Note 6), capital expenditure amounts to €207 million.

NOTE 6. RESEARCH AND DEVELOPMENT EXPENDITURE

Year ended 31 March (in € million)	2008	2007	2006
Research and development expenditure	(554)	(456)	(364)
of which			
- Capitalisation of developments costs (see Note 12.B)	(124)	(115)	(87)
- Amortisation of development costs (See Note 12.B)	55	72	43
- Amortisation of acquired technology	62	59	59
Research and development expenditure before capitalisation and amortisation	**(561)**	**(440)**	**(349)**

Capitalisation of developments costs is related to Transport Sector (including new generation of very high speed train – AGV™ and new tramway prototype) and to Power Systems Sector (including CO_2 capture program and gas and steam turbines development).

NOTE 7. OTHER INCOME AND OTHER EXPENSES

Year ended 31 March (in € million)	2008	2007*	2006*
Capital gains on disposal of investments/activities(1)	26	11	240
Other	-	7	12
Other income	**26**	**18**	**252**
Capital losses on disposal of investments/activities(1)	(39)	(76)	(89)
Capital losses on disposal of intangible and tangible assets	-	(1)	-
Restructuring costs(2)	(35)	(68)	(80)
Other	(26)	(4)	(22)
Other expenses	**(100)**	**(149)**	**(191)**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

(1) In the year ended 31 March 2008, capital gains and losses are mainly related to disposal of LT Motors in India and to adjustments on past disposals (Marine and T&D).

In the year ended 31 March 2007, capital losses mainly originated from the disposal of the Industrial Boilers business in Germany and the Czech Republic as well as the disposal of UK train heavy renovation business located in Glasgow and London. Capital losses also included costs incurred on past disposals and in particular fines imposed by the European Commission related to the T&D business (see Note 32 – Claims relating to disposals).

(2) In the years ended 31 March 2008 and 31 March 2007, restructuring costs mainly related to plans implemented in Europe in the Transport Sector.

NOTE 8. FINANCIAL INCOME (EXPENSES)

Year ended 31 March (in € million)	2008	2007	2006
Net interest expenses	(53)	(79)	(122)
Pension and other employee benefit costs (see Note 25)	12	(8)	(15)
Other financial income (expenses)	(28)	(24)	(85)
Financial income (expenses)	**(69)**	**(111)**	**(222)**
Out of which			
- Financial income (expenses) arising from financial instruments (see Note 27)	(81)	(103)	(207)

Net interest expenses include:

- €33 million related to the buy back and cancellation of bonds during the year ended 31 March 2008 (€13 million for the year ended 31 March 2007, see Note 26);
- €10 million in interests on obligations under finance leases (€9 million for the year ended 31 March 2007 and €14 million for the year ended 31 March 2006);
- €10 million expense arising from the progressive unwinding of the discount initially recognised on put options and earn-out on acquired entities (the €4 million expense charged to the income statement for the year ended 31 March 2007 was presented as other financial expense in the published financial statements and has been reclassified to net interest expenses in the above table).

Other financial income (expenses) include:

- €12 million in fees and commitment fees paid on guarantees facilities, syndicated loans and other financing facilities (€11 million for the year ended 31 March 2007 and €75 million for the year ended 31 March 2006);
- €10 million in foreign currency losses (€14 million loss for the year ended 31 March 2007 and €30 million gain for the year ended 31 March 2006).

NOTE 9. TAXATION

A. ANALYSIS BY NATURE

Year ended 31 March (in € million)	**2008**	2007	2006
Current income tax charge	(194)	(168)	(155)
Deferred income tax (charge) credit	(97)	23	30
Income tax charge	**(291)**	**(145)**	**(125)**
Effective tax rate	**25.3%**	**21.2%**	**32.3%**

Tax consolidation groups have been set up in most of the countries where the Group operates, in particular in France, the United Kingdom, the United States, Germany, Spain and Italy.

B. EFFECTIVE INCOME TAX RATE

Year ended 31 March (in € million)	**2008**	%	2007*	%	2006*	%
Pre-tax income (loss) from continuing operations	**1,152**		**715**		**585**	
Pre-tax loss from discontinued operations	**-**		**(32)**		**(198)**	
Statutory income tax rate of the parent company	34.43%		34.43%		34.43%	
Expected tax (charge) credit	**(397)**	**34.4**	**(235)**	**34.4**	**(133)**	**34.4**
Impact of:						
- Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	114	(9.9)	62	(9.1)	45	(11.6)
- Transactions liable for reduced tax rate	7	(0.6)	(50)	7.3	-	-
- Changes in unrecognised deferred tax assets	90	(7.8)	145	(21.2)	9	(2.3)
- Changes in tax rates	(64)	5.5	(6)	0.9	(14)	3.6
- Additional tax expense (withholding tax and IRAP in Italy)	(22)	1.9	(28)	4.1	(8)	2.1
- Permanent differences	(19)	1.8	(33)	4.8	(24)	6.1
Income tax charge	**(291)**		**(145)**		**(125)**	
Effective tax rate	**25.3%**	**25.3**	**21.2%**	**21.2**	**32.3%**	**32.3**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

C. DEFERRED TAXATION

The net deferred tax position recognised in the balance sheet, before netting of deferred tax assets and liabilities by tax entity, can be analysed as follows:

(in € million)	At 31 March 2006*	At 31 March 2007*	Deferred income tax (charge) credit**	Changes in scope of consolidation	Translation Adjustments and other changes	**At 31 March 2008**
Deferred tax assets						
Differences between carrying amount and tax base of tangible and intangible assets	395	365	(78)	-	(2)	285
Profit sharing, annual leave, pension and other employee benefit costs accruals not yet deductible	435	286	(56)	-	(37)	193
Provisions and other expenses not yet deductible	616	704	(58)	-	(172)	474
Tax loss carry forwards	1,473	1,555	(112)	(1)	(106)	1,336
Other	206	120	(51)	12	108	189
Existing deferred tax assets	**3,125**	**3,030**	**(355)**	**11**	**(209)**	**2,477**
Unrecognised deferred tax assets	(1,230)	(1,184)	260	-	73	(851)
Recognised deferred tax assets	**1,895**	**1,846**	**(95)**	**11**	**(136)**	**1,626**
Deferred tax liabilities						
Differences between carrying amount and tax base of tangible and intangible assets	(199)	(85)	(26)	-	16	(95)
Deferred taxation of margin on construction contracts	(151)	(196)	10	-	9	(177)
Other	(315)	(308)	24	(14)	11	(287)
Total	**(665)**	**(589)**	**8**	**(14)**	**36**	**(559)**
Net recognised deferred tax assets/(liabilities)	**1,230**	**1,257**	**(87)**	**(3)**	**(100)**	**1,067**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

** Sum of deferred income tax (charge) credit recorded in income statement and directly in equity.

The detailed bases of tax loss carry forwards by maturity are as follows:

At 31 March (in € million)		**2008**	2007	2006
Expiring within	1 year	166	27	24
	2 years	87	128	33
	3 years	78	127	184
	4 years	77	71	218
	5 years and more	886	1,022	1,080
	Not subject to expiry	2,865	3,101	2,730
Total bases of tax loss carry forwards (bases)		**4,159**	**4,476**	**4,269**
Total unrecognised tax loss carry forwards		2,205	2,414	2,549
Total recognised tax loss carry forwards		1,954	2,062	1,720
Expiry dates of recognised tax loss carry forwards				
- within 15 years		605	628	783
- not subject to expiry		1,349	1,434	937

Movements in deferred taxes recorded in the consolidated balance sheet, after netting of deferred tax assets and liabilities by tax entity, can be broken down as follows:

(in € million)	Assets	Liabilities	Net position
At 31 March 2006*	**1,270**	**(40)**	**1,230**
Movements credited (charged) to the income statement	55	(25)	30
Other	(7)	4	(3)
Impact of netting by tax entity of the period	(11)	11	-
At 31 March 2007*	**1,307**	**(50)**	**1,257**
Movements credited (charged) to the income statement	(105)	8	(97)
Other	(115)	22	(93)
Impact of netting by tax entity of the period	82	(82)	-
At 31 March 2008	**1,169**	**(102)**	**1,067**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

The assessment of recognised deferred tax assets is conducted through a detailed review of deferred tax assets by jurisdiction. This review takes into account past and current performance, length of carry back, carry forwards and expiry periods, existing contracts in the order book, budget and the three-year plan.

Regarding the net recognised deferred tax assets at 31 March 2008 (€1,067 million), the Group is satisfied as to its recoverability, on the basis of an extrapolation of the three-year business plan, approved by the Board of Directors, which shows a capacity to generate a sufficient level of taxable profits to recover within 5 year main part of its net assets related to tax loss carry forwards.

Deferred tax assets remaining unrecognised amount to €851 million at 31 March 2008 (€1,184 million at 31 March 2007 and €1,230 million at 31 March 2006). Most of these unrecognised deferred tax assets remain available for use in the future.

NOTE 10. DISCONTINUED OPERATIONS

Operations of the Marine Sector have been classified as discontinued operations in the years ended 31 March 2007 and 31 March 2006. They were analysed as follows:

Year ended 31 March (in € million)	2007	2006
Sales	**417**	**439**
Loss from operations	**(38)**	**(15)**
Other income (expenses)	6	(187)
Loss before interest and taxes	**(32)**	**(202)**
Net loss(1)	**(32)**	**(198)**

(1) Related income tax effects have not been presented as discontinued operations since companies included in the former Marine Sector are part of a tax group aggregating French entities from all sectors.

During fiscal year ended 31 March 2007, the disposal was completed. Marine activities remained presented as discontinued operations for the full year. The losses recorded over the fiscal year ending 31 March 2007 related to the three LNG tankers, the contracts of which were not part of the sale to the acquirer and were completed over the period.

The cash flow statement of discontinued operations is detailed as follows:

Year ended 31 March (in € million)	2007	2006
Net cash used in operating activities	(90)	(199)
Net cash provided by (used in) investing activities	(196)	84
Net cash used in financing activities	-	(103)
Net effect of exchange rate variations	-	(2)
Other changes	(2)	5
Decrease in cash and cash equivalents	**(288)**	**(215)**
Transfer to continued operations	**(29)**	-
Net cash at the beginning of the period	**317**	**532**
Net cash at the end of the period	**-**	**317**

For the year ended 31 March 2007, the €196 million net cash used in investing activities relates to the disposal of Marine activities and represents the net amount between the selling price and the cash contribution and other financing provided by the Group to the newly created company.

NOTE 11. EARNINGS PER SHARE

A. EARNINGS

Year ended 31 March (in € million)	**2008**	2007*	2006*
Net profit – Equity holders of the parent	852	547	258
Financial interests related to bonds reimbursable with shares, net of tax	-	(2)	1
Earnings used to calculate basic and diluted earnings per share	852	545	259
Earnings used to calculate basic and diluted earnings per share from continuing operations	852	577	457
Earnings used to calculate basic and diluted earnings per share from discontinuing operations	-	(32)	(198)

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

B. NUMBER OF SHARES

Year ended 31 March	**2008**	2007	2006
Weighted average number of ordinary shares used to calculate basic earnings per share(1)	141,148,674	140,428,778	140,401,599
Effect of other dilutive potential ordinary shares:			
- Stock options(2)	2,463,481	2,664,400	1,434,534
- Free shares (see Note 23)	651,336	600,000	225,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	144,263,491	143,693,178	142,061,133

(1) Shares that will be issued upon the conversion of bonds reimbursable with shares are included in the calculation.

(2) Stock options used to calculate the diluted earnings per share only relate to plans 7, 8, 9 and 10 (see Note 23), the other plans being out of the money.

C. EARNINGS PER SHARE

Year ended 31 March (in €)	**2008**	2007*	2006*
From continuing and discontinued operations			
- Basic	6.03	3.88	1.84
- Diluted	5.90	3.80	1.82
From continuing operations			
- Basic	6.03	4.11	3.25
- Diluted	5.90	4.02	3.22
From discontinued operations			
- Basic	-	(0.23)	(1.41)
- Diluted	-	(0.22)	(1.39)

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

NOTE 12. GOODWILL AND INTANGIBLE ASSETS

A. GOODWILL

(in € million)	Net value at 31 March 2007	Acquisitions and purchase accounting adjustments	Disposals	Translation adjustments and other changes	**Net value at 31 March 2008**
Power Systems	803	336	-	(2)	1,137
Power Service	2,184	(60)	-	(9)	2,115
Transport	523	-	-	(8)	515
Goodwill	**3,510**	**276**	**-**	**(19)**	**3,767**
of which					
Gross value	3,510	276	-	(19)	3,767
Impairment	-	-	-	-	-

(in € million)	Net value at 31 March 2006	Acquisitions and purchase accounting adjustments	Disposals	Translation adjustments and other changes	Net value at 31 March 2007
Power Systems	804	-	(1)	-	803
Power Service	1,992	193	-	(1)	2,184
Transport	527	-	-	(4)	523
Goodwill	**3,323**	**193**	**(1)**	**(5)**	**3,510**
of which					
Gross value	3,323	193	(1)	(5)	3,510
Impairment	-	-	-	-	-

The movements of the period arise from:

- the acquisitions of Ecotècnia in Spain (in November 2007 for €268 million based on an acquisition price of €294 million), Wuhan Boilers Company in China (see Note 4, preliminary goodwill amounts to €68 million) and a Power Service company in Finland; and from
- the measurement at fair value of assets and liabilities acquired from Power Systems Manufacturing LLC (PSM) on 22 March 2007. The preliminary goodwill on this acquisition amounted to €153 million, as disclosed at 31 March 2007. The measurement of the assets and liabilities acquired has resulted in a €83 million reduction of the goodwill, mainly intangible assets.

Amounts reported regarding Ecotècnia and Wuhan Boilers are based on a preliminary purchase price allocation and therefore subject to subsequent adjustments.

At 31 March 2008, the Group requested a third party expert to provide an independent report as part of its annual impairment test for goodwill. This test compares the fair value of each sector to its carrying amount.

The main assumptions used to assess the recoverable amounts of goodwill are as follows:

	Power Systems	Power Service	Transport
Net carrying amount of goodwill at 31 March 2008 (in € million)	1,137	2,115	515
Value elected as representative of the recoverable value of the cash generating unit	fair value	fair value	fair value
Number of years over which cash flow estimates are used	3 years	3 years	3 years
Extrapolation period of cash flow estimates	7 years	7 years	7 years
Long term growth rate at 31 March 2008	**2.0%**	**2.0%**	**2.0%**
Long term growth rate at 31 March 2007	2.0%	2.0%	2.0%
Long term growth rate at 31 March 2006	2.0%	2.0%	2.0%
After tax discount rate at 31 March 2008(1)	**10.0%**	**9.0%**	**9.0%**
After tax discount rate at 31 March 2007(1)	9.0%	9.0%	8.5%
After tax discount rate at 31 March 2006(1)	8.5%	8.5%	8.5%

(1) The application of pre-tax discount rates to pre-tax cash flows leads to the same valuation of cash generating units.

Had the assessment of the fair value been made with the same growth rates and discount rates as at 31 March 2007 and 31 March 2006, no impairment loss would have had to be recognised.

B. INTANGIBLE ASSETS

(in € million)	At 31 March 2007	Additions/disposals/ amortisation	Acquisitions through business combinations	Translation adjustments and other changes	**At 31 March 2008**
Development costs	621	124	-	(1)	744
Acquired technology	1,154	-	88	2	1,244
Other intangible assets	101	10	32	5	148
Gross value	**1,876**	**134**	**120**	**6**	**2,136**
Development costs	(247)	(55)	-	7	(295)
Acquired technology	(383)	(62)	-	(3)	(448)
Other intangible assets	(55)	(13)	-	(3)	(71)
Accumulated amortisation and impairment	**(685)**	**(130)**	**-**	**1**	**(814)**
Development costs	374	69	-	6	449
Acquired technology	771	(62)	88	(1)	796
Other intangible assets	46	(3)	32	2	77
Net value	**1,191**	**4**	**120**	**7**	**1,322**

(in € million)	At 31 March 2006	Additions/disposals/ amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2007
Development costs	510	115	-	(4)	621
Acquired technology	1,157	-	-	(3)	1,154
Other intangible assets	64	7	-	30	101
Gross value	**1,731**	**122**	**-**	**23**	**1,876**
Development costs	(175)	(72)	-	-	(247)
Acquired technology	(326)	(59)	-	2	(383)
Other intangible assets	(33)	(1)	-	(21)	(55)
Accumulated amortisation and impairment	**(534)**	**(132)**	**-**	**(19)**	**(685)**
Development costs	335	43	-	(4)	374
Acquired technology	831	(59)	-	(1)	771
Other intangible assets	31	6	-	9	46
Net value	**1,197**	**(10)**	**-**	**4**	**1,191**

Acquired technology mainly consist of the allocation of the cost of the acquisition of ABB ALSTOM POWER in 1999 and 2000. The allocation of ABB ALSTOM POWER represents technology and licensing agreements and are amortised on a straight-line basis over 20 years (12 years remaining approximately).

Acquisition through business combinations during the year ended 31 March 2008 consists in the allocation of the goodwill on Power Systems Manufacturing for €72 million (see Note 12.A) and acquisition of Ecotècnia intangibles which have been evaluated through purchase price allocation for €44 million.

The Group's opinion is that intangible assets are not impaired.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

(in € million)	At 31 March 2007	Additions/ disposals/ amortisation	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	**At 31 March 2008**
Land	119	1	(4)	3	8	127
Buildings	1,061	21	(40)	32	40	1,114
Machinery and equipment	1,903	144	(46)	40	(10)	2,031
Constructions in progress	121	141	-	8	(85)	185
Tools, furniture, fixtures and other	485	61	(68)	-	(26)	452
Gross value	**3,689**	**368**	**(158)**	**83**	**(73)**	**3,909**
Land	(4)	-	-	-	-	(4)
Buildings	(490)	(43)	17	(11)	(6)	(533)
Machinery and equipment	(1,442)	(125)	31	(24)	30	(1,530)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(383)	(38)	63	-	17	(341)
Accumulated depreciation and impairment	**(2,319)**	**(206)**	**111**	**(35)**	**41**	**(2,408)**
Land	115	1	(4)	3	8	123
Buildings	571	(22)	(23)	21	34	581
Machinery and equipment	461	19	(15)	16	20	501
Constructions in progress	121	141	-	8	(85)	185
Tools, furniture, fixtures and other	102	23	(5)	-	(9)	111
Net value	**1,370**	**162**	**(47)**	**48**	**(32)**	**1,501**

(in € million)	At 31 March 2006	Additions/ disposals/ amortisation	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	At 31 March 2007
Land	113	1	(12)	2	15	119
Buildings	1,173	27	(115)	3	(27)	1,061
Machinery and equipment	1,898	111	(54)	(15)	(37)	1,903
Constructions in progress	76	49	-	-	(4)	121
Tools, furniture, fixtures and other	475	75	(31)	6	(40)	485
Gross value	**3,735**	**263**	**(212)**	**(4)**	**(93)**	**3,689**
Land	(5)	(1)	3	-	(1)	(4)
Buildings	(527)	(55)	85	1	6	(490)
Machinery and equipment	(1,460)	(113)	78	11	42	(1,442)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(382)	(42)	29	3	9	(383)
Accumulated depreciation and impairment	**(2,374)**	**(211)**	**195**	**15**	**56**	**(2,319)**
Land	108	-	(9)	2	14	115
Buildings	646	(28)	(30)	4	(21)	571
Machinery and equipment	438	(2)	24	(4)	5	461
Constructions in progress	76	49	-	-	(4)	121
Tools, furniture, fixtures and other	93	33	(2)	9	(31)	102
Net value	**1,361**	**52**	**(17)**	**11**	**(37)**	**1,370**

The net value of tangible assets held under finance leases and included in the above data is as follows:

At 31 March (in € million)	**2008**	2007	2006
Land	13	13	-
Buildings	107	123	169
Machinery and equipment	14	17	22
Tools, furniture, fixtures and other	15	15	18
Net value of tangible assets held under finance leases	**149**	**168**	**209**

NOTE 14. ASSOCIATES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

A. ASSOCIATES

At 31 March (in € million)	**2008**	2007	2006	% interest
ALSTOM Atomenergomash	20	-	-	49.0
Termoeléctrica del Golfo and Termoeléctrica Peñoles	-	-	66	49.5
Other	6	4	4	-
Total	**26**	**4**	**70**	**-**

The variation of the year is related to the constitution of a joint venture between the Group and JSC Atomenergomash (see Note 4).

In February 2007, the Group sold its 49.5% interest in Termoeléctrica del Golfo and Termoélectrica Penoles for a cash consideration of €72 million.

B. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008			2007	2006	2007
At 31 March (in € million)	Gross	Impairment	Net	Net	Net	% interest
Tramvia Metropolita SA(1)	8	-	8	8	8	25.35%
Tramvia Metropolita del Besos(1)	8	-	8	8	8	25.35%
Other(2)	45	(25)	20	14	13	-
Total	**61**	**(25)**	**36**	**30**	**29**	

(1) The remaining 74.65% of interest in these two companies are held by a pool of construction companies having direct control over the companies.

(2) No other investments' net value exceeds €5 million.

Change in assets available for sale are summarised in the table below:

Year ended 31 March (in € million)	2008	2007
Opening balance	**30**	**29**
Change in fair value(1)	-	-
Other changes	6	1
Closing balance	**36**	**30**

(1) Variation directly recorded through equity as fair value gains/(losses) on assets available for sale.

NOTE 15. OTHER NON-CURRENT ASSETS

At 31 March (in € million)	2008	2007 *	2006 *
Financial non-current assets associated to financial debt(1)	546	654	-
Deposits securing the Bonding Guarantee Facility(2)	-	-	700
Long-term loans, deposits and other(3)	89	158	155
Other non-current assets	**635**	**812**	**855**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

(1) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator. They are made up as follows:

- at 31 March 2008, €520 million receivables and €26 million deposit;
- at 31 March 2007, €628 million receivables and €26 million deposit;
- at 31 March 2006 these items were classified as "Assets held for sale" (see Note 30).

(2) This cash deposit was paid by the Group to third party Trustee to secure a Bonding Guarantee Facility Programme in the form of remunerated collateral of up to €8 billion put in place during the year ended 31 March 2005. All instruments issued under that programme used to be covered by a 25% security package consisting of:

- a €700 million first loss cash collateral;
- a second loss guarantee composed of both the French State guarantee (through the CFDI – Caisse Française de Développement Industriel) and ALSTOM's main banks guarantee.

Following the releases of the underlying instruments, the second loss guarantees have been fully amortized on February 2007 triggering the release of the €700 million cash collateral.

(3) Including, at 31 March 2008, €17 million pension assets and a €25 million put and call contracted at the time of the sale of Marine Sector to Aker Yards in May 2006 (see Note 4).

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NOTE 16. INVENTORIES

At 31 March (in € million)	2008	2007	2006
Raw materials and supplies	750	663	582
Work in progress	1,742	1,291	1,134
Finished products	123	116	47
Inventories, gross	**2,615**	**2,070**	**1,763**
Write-down	(299)	(300)	(275)
Inventories	**2,316**	**1,770**	**1,488**

NOTE 17. CONSTRUCTION CONTRACTS IN PROGRESS

At 31 March (in € million)	2008	2007	2006
Construction contracts in progress, assets	2,807	2,858	2,229
Construction contracts in progress, liabilities	(8,931)	(7,239)	(5,401)
Construction contracts in progress	**(6,124)**	**(4,381)**	**(3,172)**

At 31 March (in € million)	2008	2007	2006
Contract costs incurred plus recognised profits less recognised losses to date	39,681	35,197	32,593
Less progress billings	(42,504)	(37,084)	(33,640)
Construction contracts in progress excluding down payments received from customers	**(2,823)**	**(1,887)**	**(1,047)**
Down payments received from customers	(3,301)	(2,494)	(2,125)
Construction contracts in progress	**(6,124)**	**(4,381)**	**(3,172)**

NOTE 18. TRADE RECEIVABLES

			Past due on the reporting date		
(in € million)	Total	No past due on the reporting date	Less than 60 days	Between 60 and 180 days	More than 180 days
Trade receivables at 31 March 2008	**3,538**	**3,021**	**295**	**107**	**115**
- o/w gross	3,616	3,049	297	111	159
- o/w impairment	(78)	(28)	(2)	(4)	(44)
Trade receivables at 31 March 2007	**2,886**	**2,488**	**233**	**71**	**94**
- o/w gross	2,965	2,521	235	73	136
- o/w impairment	(79)	(33)	(2)	(2)	(42)
Trade receivables at 31 March 2006	**2,291**	**1,832**	**207**	**101**	**151**
- o/w gross	2,369	1,868	211	102	188
- o/w impairment	(78)	(36)	(4)	(1)	(37)

Impairment losses are determined, considering the risk of non-recovery assessed on a case by case basis. Due to the type of business operated by the Group, past due receivables are frequently representative of outstanding amounts confirmed by customers but whose payment is subject to clearance of items raised during inspection of works. Such receivables do remain wholly recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of related contracts.

NOTE 19. OTHER CURRENT ASSETS RELATED TO OPERATING ACTIVITIES

At 31 March (in € million)	2008	2007	2006
Down payments made to suppliers	433	385	360
Corporate income tax	45	57	122
Other tax	404	409	335
Prepaid expenses	123	85	127
Other receivables	314	308	312
Derivatives relating to operating activities (see Note 27)	414	157	135
Remeasurement of hedged firm commitments in foreign currency	309	93	63
Other current assets related to operating activities	**2,042**	**1,494**	**1,454**

NOTE 20. MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

At 31 March (in € million)	2008	2007	2006
Derivatives related to financing activities	7	4	-
Marketable securities	156	175	-
Available-for-sale investments	-	-	16
Held-to-maturity securities	7	18	6
Marketable securities and other current financial assets	**170**	**197**	**22**

NOTE 21. WORKING CAPITAL

Balance sheet position

At 31 March (in € million)	2008	2007	Variation	2006
Inventories	2,316	1,770	546	1,488
Construction contracts in progress, assets	2,807	2,858	(51)	2,229
Trade receivables	3,538	2,886	652	2,291
Other current assets related to operating activities	2,042	1,494	548	1,454
Assets	**10,703**	**9,008**	**1,695**	**7,462**
Non-current provisions	503	549	(46)	581
Current provisions	1,258	1,512	(254)	1,539
Contruction contracts in progress, liabilities	8,931	7,239	1,692	5,401
Trade payables	3,132	2,976	156	2,872
Other current liabilities	2,528	1,814	714	1,630
Liabilities	**16,352**	**14,090**	**2,262**	**12,023**
Working capital	**(5,649)**	**(5,082)**	**(567)**	**(4,561)**

Analysis of variation of working capital

Year ended 31 March (in € million)	2008	2007
Working capital at the beginning of the period	**(5,082)**	**(4,561)**
Changes in working capital resulting from operating activities*	(897)	(524)
Changes in working capital resulting from investing activities**	159	(44)
Translation adjustments and other changes	171	47
Total changes in working capital	**(567)**	**(521)**
Working capital at the end of the period	**(5,649)**	**(5,082)**

* Item presented within "net cash provided by operating activities" in the consolidated statement of cash flows.

** Item presented within "net cash used in or provided by investing activities" in the consolidated statement of cash flows (included in cash proceeds from sale of investments).

NOTE 22. EQUITY

When managing capital, the Group's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders, to bring benefits to its other partners and to optimise the structure of the capital in order to reduce its cost. To achieve this, the Group may choose:

- to adjust the amount of dividends paid to the shareholders;
- to reimburse a portion of capital;
- to issue new shares; or,
- to sell assets in order to scale back its net debt.

The Group uses various indicators, among which the net debt/equity ratio which gives to investors a presentation of the Group indebtedness compared to total equity.

At 31 March 2008

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 31 March 2007 *	**138,617,201**	**1,940**	**366**	**85**	**(1,058)**	**1,333**	**42**	**1,375**
Movements in income and expense directly recognised in equity	-	-	-	(13)	18	5	(3)	2
Net income for the period	-	-	-	852	-	852	10	862
Total recognised income and expense	**-**	**-**	**-**	**839**	**18**	**857**	**7**	**864**
ORA	686,744	10	(7)	(5)	-	(2)	-	(2)
Change in scope and other	-	-	-	(4)	-	(4)	(8)	(12)
Dividends paid	-	-	-	(111)	-	(111)	(6)	(117)
Issue of ordinary shares under stock option plans	1,691,362	24	7	-	-	31	-	31
Recognition of equity settled share-based payments	606,820	8	61	37	-	106	-	106
At 31 March 2008	**141,602,127**	**1,982**	**427**	**841**	**(1,040)**	**2.210**	**35**	**2,245**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

At 31 March 2008, the share capital of ALSTOM amounted to €1,982,429,778 consisting of 141,602,127 ordinary shares with par value of €14 each. For the year ended 31 March 2008, the weighted average number of outstanding ordinary shares amounted to 141,148,674 and the weighted average number of ordinary and dilutive shares stood at 144,263,491.

During the year ended 31 March 2008, 21,869,955 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 686,744 shares at a par value of €14. The 35,006,432 bonds reimbursable with shares outstanding at 31 March 2008 represent 1,099,202 shares to be issued.

The shareholders' meeting of ALSTOM held on 26 June 2007 decided to distribute a €0.80 dividend per share representing a total amount of €111 million (no dividend was distributed in fiscal years ended 31 March 2007 and 31 March 2006).

At 31 March 2007

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 31 March 2006 *	**138,170,776**	**1,934**	**368**	**(469)**	**(1,103)**	**730**	**58**	**788**
Movements in income and expense directly recognised in equity	-	-	-	-	45	45	(2)	43
Net income (loss) for the period	-	-	-	547	-	547	(9)	538
Total recognised income and expense	**-**	**-**	**-**	**547**	**45**	**592**	**(11)**	**581**
ORA	444,925	6	(2)	(8)	-	(4)	-	(4)
Change in scope and other	-	-	-	-	-	-	1	1
Dividends paid	-	-	-	-	-	-	(6)	(6)
Issue of ordinary shares under stock option plans	1,500	-	-	-	-	-	-	-
Recognition of equity settled share-based payments	-	-	-	15	-	15	-	15
At 31 March 2007 *	**138,617,201**	**1,940**	**366**	**85**	**(1,058)**	**1,333**	**42**	**1,375**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

During the year ended 31 March 2007, 14,168,947 bonds reimbursable in shares "Obligation Remboursables en Actions" were converted into 444,925 shares at a par value of €14. The 56,876,387 bonds reimbursable with shares outstanding at 31 March 2007 represented 1,785,919 shares to be issued.

At 31 March 2006

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 1 April 2005*	**5,497,211,409**	**1,924**	**378**	**(767)**	**(20)**	**1.515**	**68**	**1,583**
Impact of change in accounting method (see Note 2.A)	-	-	-	20	(1,028)	(1,008)	-	(1,008)
At 1 April 2005**	**5,497,211,409**	**1,924**	**378**	**(747)**	**(1,048)**	**507**	**68**	**575**
Movements in income and expense directly recognised in equity	-	-	-	(20)	(55)	(75)	3	(72)
Net income (loss) for the period	-	-	-	258	-	258	3	261
Total recognised income and expense	-	-	-	238	(55)	183	6	189
Conversion of ORA	1,121,044	10	(10)	-	-	-	-	-
Change in scope and other	-	-	-	-	-	-	(16)	(16)
Dividends paid	-	-	-	-	-	-	-	-
Consolidation of shares	(5,360,161,677)	-	-	-	-	-	-	-
Employee share issues and recognition of equity settled share-based payments	-	-	-	40	-	40	-	40
At 31 March 2006 **	**138,170,776**	**1,934**	**368**	**(469)**	**(1,103)**	**730**	**58**	**788**

* Restated equity at 1 April 2005 after first time application of IAS 32-39 and IFRS 5.

** Restated equity after change in accounting method.

On 3 August 2005, ALSTOM consolidation of shares was completed through the exchange of 40 existing shares with a nominal value of €0.35 for one new share with a nominal value of €14. The number of ALSTOM shares has consequently been reduced from 5,497,601,720 shares to 137,440,043 shares.

During the year ended 31 March 2006, 23,573,581 bonds reimbursable in shares "Obligation Remboursables en Actions" were converted into 390,311 shares at a par value of €0.35 before the consolidation of shares and 730,733 shares at a par value of €14 after the consolidation of shares. The 71,045,334 bonds reimbursable in shares outstanding at 31 March 2006 represented 2,230,823 shares to be issued.

NOTE 23. SHARE-BASED PAYMENTS

STOCK OPTIONS, PERFORMANCE SHARES AND STOCK APPRECIATION RIGHTS

A. Detail of stock option plans and performance shares

	Plan # 3	Plan # 5	Plan # 6	Plan # 7	Plan # 8	Plan # 9	Plan # 10
Date of shareholders meeting	24 July 2001	24 July 2001	24 July 2001	9 July 2004	9 July 2004	9 July 2004	26 June 2007
Grant date	24 July 2001	8 Jan. 2002	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
Exercise price (1)	€1,320.00	€523.60	€240.00	€17.20	€35.75	€74.66	€135.00
Adjusted exercice price (2)	€819.20	€325.20	€154.40	-	-	-	-
Beginning of exercise period	24 July 2002	8 Jan. 2003	7 Jan. 2004	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	25 Sept. 2010
Expiry date	23 July 2009	7 Jan. 2010	6 Jan. 2011	16 Sept. 2014	26 Sept. 2015	26 Sept. 2016	24 Sept. 2017
Number of beneficiaries	1,703	1,653	5	1,007	1,030	1,053	1,196
Number of options initially granted	105,000	105,000	30,500	2,783,000	1,401,500	1,683,750	848,600
Adjusted number of options granted (2)	164,490	166,695	47,414	-	-	-	-
Number of options exercised since the origin	-	-	-	(1,632,362)	(33,500)	(27,500)	-
Number of options cancelled	(83,147)	(83,925)	(7,773)	(233,000)	(59,000)	(42,500)	(1,900)
Adjusted number of outstanding options at 31 March 2008 (2)	81,343	82,770	39,641	917,638	1,309,000	1,613,750	846,700
Number of performance shares that may be delivered	-	-	-	-	-	-	126,000
Number of shares that may be subscribed by the present members of the Executive Committee	2,016	2,739	38,863	79,500	232,500	292,500	167,500
Number of performance shares that may be delivered to the present members of the Executive Committee	-	-	-	-	-	-	6,000

(1) The exercise price, restated following the consolidation of shares, corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge).

(2) Plans n°3, 5 and 6 have been adjusted in compliance with French law as a result of the completion of operations that impacted the share capital in 2002, 2003 and August 2004.

Stock option plans 3 to 6, granted between 2001 and 2003, gradually vested by one third a year during the first three years following the grant. Stock option plans 7, 8, 9 and 10, granted between 2004 and 2007, become vested after a period of three years. The exercise period then covers seven years for each plan.

Plan 7 was subject to the following granting conditions: 50% of options granted to each beneficiary were subject to exercise conditions relating to the Group's free cash flow and operating margin for fiscal year 2006. Those conditional options may be exercised only if, at the closing of fiscal year ended 31 March 2006, the Group's free cash flow is positive and the Group's operating margin is superior or equal to 5%. At 31 March 2006, these conditions were fulfilled.

In plan 9, the total number of options (1,683,750 options) was exercisable only if the 2007/08 Group's operating margin was above 7.5%. At 31 March 2008 this condition was fulfilled.

On 25 September 2007, the Board of Directors decided to implement a long-term incentive plan ("LTI Plan") comprised of a new conditional stock option plan (Plan n°10) and of a free attribution of performance shares. The exercise of the conditional stock options and the final delivery of the free performance shares will be allowed after the vesting/acquisition period subject to Group's performance conditions described below. The conditional options are not exercisable during a three-year period. The acquisition period of the performance shares will end two years after the grant date in France (followed by a two-year retention period) and four years after the grant date in other countries. In addition, in the United States, conditional SARs have been granted instead of options for some employees.

The total number of options/SARs exercisable and of performance shares to be delivered will depend on the Group's operating margin for the financial year 2009/2010:

- if the 2009/10 Group's operating margin is above 8.5%, 848,600 options and 30,100 SARs will be exercisable and 126,000 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 8% and 8.5%, 678,880 options and 24,080 SARs will be exercisable and 100,800 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 7.5% and 8%, 339,440 options and 12,040 SARs will be exercisable and 50,400 performance shares will be delivered;
- if the 2009/10 Group's operating margin is below 7.5%, no option nor SAR will be exercisable and no performance share will be delivered.

B. Detail of stock appreciation rights ("SARs") plans

	SARs # 7	SARs # 8	Notional SARs	SARs # 9	SARs # 10
Grant date	1 Dec. 2004	18 Nov. 2005	16 Dec. 2005	28 Sept. 2006	25 Sept. 2007
Exercise price[1]	€17.20	€44.90	€35.75	€72.10	€146.85
Vesting date	17 Sept. 2007	27 Sept. 2008	27 sept. 2008	28 Sept. 2009	25 Sept. 2010
Expiry date	1 April 2010	18 Nov. 2015	1 April 2011	28 Sept. 2016	24 Sept. 2017
Number of beneficiaries	114	120	120	134	134
Number of SARs initially granted	233,000	116,000	116,000	170,625	30,100
Additional grants	6,000	1,000	-	-	-
Number of SARs exercised since the origin	(170,250)	(500)	(500)	-	-
Number of SARs cancelled	(42,000)	(17,000)	(16,000)	(18,750)	(750)
Number of SARs forfeited	-	-	-	-	-
Number of outstanding SARs at 31 March 2008	26,750	99,500	99,500	151,875	29,350
Terms and conditions of exercise	Exercise period: - 1 April 2008 - 1 April 2009 - 1 April 2010	SARs exercisable as from 27 Sept. 2008	- 1/3 of SARs settled on 1 April 2009 - 1/3 of SARs settled on 1 April 2010 - 1/3 of SARs settled on 1 April 2011	See below	See Note 23.A

(1) The exercise price, restated following the consolidation of shares, corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the board (no discount or surcharge).

SARs Plan 7s was subject to the same granting conditions as stock option plan 7. When vested, SARs will be partially or fully settled based on the beneficiary's choice on any of the following exercise dates: 1 April 2008, 1 April 2009 and 1 April 2010. In the absence of an effective election, on each of the exercise date, one third, one half and all of the outstanding beneficiary's vested SARs will be settled on each date, respectively.

The exercise of the total number of SARs granted by plan 9 (170,625 SARs) depended on the same performance condition as stock option plan 9. At 31 March 2008 this condition was fulfilled.

C. Movements in stock option plans, performance shares and stock appreciation rights plans

	Number of options	Weighted average exercise price per share in €	Number of performance shares	Number of SARs	Weighted average exercise price in €
Outstanding at 1 April 2004	**321,389**	**506.00**	**-**	**-**	**-**
Granted	2,783,000	17.20	-	239,000	17.20
Exercised	-	-	-	-	-
Cancelled	(59,040)	286.80	-	(5,000)	17.20
Outstanding at 31 March 2005	**3,045,349**	**63.60**	**-**	**234,000**	**17.20**
Granted	1,401,500	35.75	-	232,000	35.75
Exercised	-	-	-	(2,000)	17.20
Cancelled	(76,906)	32.78	-	(28,000)	21.15
Outstanding at 31 March 2006	**4,369,943**	**55.17**	**-**	**436,000**	**29.24**
Granted	1,683,750	74.66	-	171,625	74.66
Exercised	(1,500)	23.38	-	(3,000)	17.20
Cancelled	(78,358)	94.83	-	(34,750)	41.78
Outstanding at 31 March 2007	**5,973,835**	**60.15**	**-**	**569,875**	**42.17**
Granted	848,600	135.00	126.000	30,100	146.85
Exercised	(1,691,362)	18.49	-	(166,250)	17.34
Cancelled	(240,231)	189.74	(2,620)	(26,750)	53.55
Outstanding at 31 March 2008	**4,890,842**	**81.18**	**123,380**	**406,975**	**59.30**

As at 31 March 2008:

- 4,890,892 stock options are outstanding, of which 1,121,392 are exercisable (281,585 as at 31 March 2007);
- 123,380 performance shares are outstanding, of which none are yet exercisable;
- 406,975 SARs are outstanding, of which 26,750 are exercisable (none of them yet exercisable at 31 March 2007).

D. Valuation of stock option plans and performance shares

In compliance with the transitional measures of IFRS 2, only stock option plans granted after 7 November 2002 and not fully vested at 1 January 2005 are subject to a valuation. Therefore, IFRS 2 does not apply to plans 3 and 5.

Share-based payment expense recorded in that respect amounts to €20 million for the year ended 31 March 2008 (€15 million for the year ended 31 March 2007 and €10 million for the year ended 31 March 2006).

The option valuation method follows a binomial mathematical model, with exercise of the options anticipated and spread over the exercise period on a straight-line basis. The volatility factor applied is an average of CAC 40 comparable companies' volatility at the grant date, which represents a value consistent with market practices and is considered more relevant given the significant volatility of the Group's share price over the last few years.

	Plan # 6	Plan # 7	Plan # 8	Plan # 9	Plan # 10
Grant date	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
End of vesting period	7 Jan. 2006	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	24 Sept. 2010
Expected life of options	4 years	4 years	4 years	4 years	4 years
Exercise price (€)	154.40	17.20	35.75	74.66	135.00
Share price at grant date (€)	150.97	17.60	36.80	72.10	146.85
Volatility	51%	51%	34%	22%	23%
Risk free interest rate	3.2%	3.0%	2.5%	3.5%	4.2%
Average dividend yield (%)	0%	0.67%	1.3%	1.0%	1.3%
Expense for the year ended 31 March 2008 (in € million)	-	3	5	7	5
Expense for the year ended 31 March 2007 (in € million)	-	7	5	3	-

E. Valuation of stock appreciation rights (SARs) plans

The value of SARs plans is measured at the grant date using a binomial model taking into account the terms and conditions according to which the instruments were granted. The liability is accrued over the expected vesting period. Until the liability is settled, it is measured at each reporting date with changes in fair value recognised in profit and loss.

Share-based payment expense recorded in that respect amounts to €18 million for the year ended 31 March 2008 (€11 million for the year ended 31 March 2007 and €5 million for the year ended 31 March 2006). At 31 March 2008, related liabilities are recorded in the balance sheet for an amount of €34 million.

	SARs # 7	SARs # 8	Notional SARs*	SARs # 9	SARs # 10
Grant date	1 Dec. 2004	18 Nov. 2005	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
End of vesting period	17 Sept. 2007	27 Sept. 2008	27 Sept. 2008	28 Sept. 2009	24 Sept. 2010
Expected life of SARs	4 years	4 years	4 years	4 years	4 years
Exercise price (€)	17.20	44.90	35.75	72.10	146.85
Share price at 31 March 2008 (€)	137.32	137.32	*	137.32	137.32
Share price at 31 March 2007 (€)	97.15	97.15	*	97.15	-
Volatility	27%	27%	27%	27%	27%
Risk free interest rate	4.7%	4.4%	4.2%	3.9%	3.7%
Average dividend yield (%)	1.3%	1.3%	1.3%	1.3%	1.3%
Expense for the year ended 31 March 2008 (in € million)	11	4	-	3	-
Expense for the year ended 31 March 2007 (in € million)	8	2	-	1	-

* SARs of the Notional plan have been granted at an exercise price of €35.75 and are capped to €44.90.

SHARE-BASED PAYMENTS AWARDED TO EMPLOYEES

A. Free shares

On 17 November 2005, the Group announced the attribution of twelve free shares to all employees, or the equivalent in cash (SARs) depending on the conditions in each country. This attribution confirmed by the Board of Directors on 16 May 2006 provides for a two-year acquisition period ending on 16 May 2008 followed by a two-year holding period and was subject to two conditions: a Group's operating margin of at least 5% and a positive free cash flow (for the year ended 31 March 2006). Those conditions have been met.

Since 31 March 2006, the following expenses have been recorded:

Grant date		17 November 2005
Share price at grant date (€)		44.92
Share price at 31 March 2006 (€)		69.20
Number of free shares to be granted		600,000
Number of free SARs to be granted		120,000
Expense for the year ended 31 March 2008 (in €million):		6
of which	*Free SARs*	*6*
Expense for the year ended 31 March 2007 (in €million):		4
of which	*Free SARs*	*4*
Expense for the year ended 31 March 2006 (in €million):		40
of which	*Free shares*	*27*
	Free SARs	*8*
	Social charges on free shares	*4*
	Social charges on free SARs	*1*

At 31 March 2006, the cost related to the portion of the attribution to be settled in shares (€27 million) has been offset in equity.

The portion to be settled in cash and social charges for the whole attribution have been recognised as liabilities (€23 million at 31 March 2008, €17 million at 31 March 2007 and €13 million at 31 March 2006). The liability arising from the SARs is remeasured at each closing date.

B. ALSTOM sharing

In October 2007, the Group announced the ALSTOM sharing plan consisting in offering to the Group employees in 19 countries to become shareholders on preferential terms. The plan offers ALSTOM shares to employees with 20% discount from the average of the 20 opening share prices on the Paris stock exchange preceding the date on which the subscription price is determined. Employees' investment is locked up five years, excluding exceptional circumstances.

The €17 million expense relating to this plan recorded in the income statement for the year ended 31 March 2008 has been assessed on the following basis:

- grant date: 24 January 2008;
- number of shares created: 606,820;
- number of shares to be created: 51,336;
- 20-day share price average at the grant date: €142.41;
- subscription price: €113.93;
- risk-free interest rate: 3.7%;
- employee loan rate: 7.0%.

NOTE 24. PROVISIONS

(in € million)	At 31 March 2007	Addition	Releases	Applied	Translation adjustments and other	**At 31 March 2008**
Warranties	469	228	(122)	(98)	1	478
Litigation and claims	1,043	294	(383)	(188)	14	780
Current provisions(1)	**1,512**	**522**	**(505)**	**(286)**	**15**	**1,258**
Tax risks and litigation	47	5	(7)	(6)	7	46
Restructuring(2)	219	53	(44)	(63)	(9)	156
Other non-current provisions(3)	283	85	(34)	(70)	37	301
Non-current provisions	**549**	**143**	**(85)**	**(139)**	**35**	**503**
Total provisions	**2,061**	**665**	**(590)**	**(425)**	**50**	**1,761**

(in € million)	At 31 March 2006	Addition	Releases	Applied	Translation adjustments and other	At 31 March 2007
Warranties	538	209	(107)	(96)	(75)	469
Litigation and claims	1,001	607	(398)	(253)	86	1,043
Current provisions(1)	**1,539**	**816**	**(505)**	**(349)**	**11**	**1,512**
Tax risks and litigation	41	10	(5)	(2)	3	47
Restructuring(2)	262	76	(26)	(84)	(9)	219
Other non-current provisions(3)	278	102	(59)	(41)	3	283
Non-current provisions	**581**	**188**	**(90)**	**(127)**	**(3)**	**549**
Total provisions	**2,120**	**1,004**	**(595)**	**(476)**	**8**	**2,061**

(1) Current provisions relate to warranties, litigations and claims on completed contracts. Related accounting policies are described in Notes 3.B and 3.Q.

(2) Relates to the implementation of restructuring plans launched during previous fiscal years. These plans are mainly located in Europe.

(3) Other non-current provisions relate to guarantees delivered in connection with past disposals, employee litigations, commercial disputes and environmental obligations. Environmental provisions amount to €20 million at 31 March 2008 and €14 million at 31 March 2007.

NOTE 25. PENSION AND OTHER EMPLOYEE BENEFITS

CHANGE IN BENEFIT OBLIGATIONS

At 31 March (in € million)	2008	2007	2006
Benefit obligations at beginning of year	**(4,770)**	**(4,693)**	**(4,340)**
Service cost	(69)	(84)	(85)
Plan participant contributions	(26)	(26)	(28)
Interest cost	(220)	(208)	(217)
Plan amendments	(25)	(12)	-
Business combinations/disposals	-	10	(3)
Curtailments	2	3	28
Settlements	57	-	30
Actuarial gains (losses) – due to experience	(52)	(60)	(12)
Actuarial gains (losses) – due to changes in assumptions	345	42	(288)
Benefits paid	228	229	225
Change in IAS 19 scope	12	-	-
Foreign currency translation	408	29	(3)
Benefit obligations at end of year	**(4,110)**	**(4,770)**	**(4,693)**
of which:			
Funded schemes	*(3,717)*	*(4,343)*	*(3,794)*
Unfunded schemes	*(393)*	*(427)*	*(899)*

CHANGE IN PLAN ASSETS

At 31 March (in € million)	2008	2007	2006
Fair value of plan assets at beginning of year	**3,859**	**3,276**	**2,930**
Actual return on assets	(30)	299	398
Expected return on assets	*232*	*200*	*200*
Actuarial gains (losses) – due to experience	*(262)*	*99*	*198*
Company contributions	110	433	112
Plan participant contributions	26	26	26
Business combinations /disposals	-	3	7
Settlements	(51)	-	(27)
Benefits paid from plan assets	(171)	(172)	(166)
Change in IAS 19 scope	(12)	-	-
Foreign currency translation	(371)	(6)	(4)
Fair value of plan assets at end of year	**3,360**	**3,859**	**3,276**

RECONCILIATION OF FUNDED STATUS OF THE PLANS WITH ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

At 31 March (in € million)	2008	2007*	2006*
Funded status of the plans	**(750)**	**(911)**	**(1,417)**
Unrecognised past service gains	(11)	(24)	(24)
Impact of asset ceiling	(40)	(53)	(18)
Transfer to liabilities associated with assets held for sale	-	-	4
(Accrued) prepaid benefit cost after asset ceiling	**(801)**	**(988)**	**(1,455)**
of which:			
Accrued pension and other employee benefit costs	***(818)***	***(999)***	***(1,469)***
Prepaid pension and other employee benefit costs	***17***	***11***	***14***

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

ANALYSIS OF ACTUARIAL GAINS (LOSSES)

Actuarial gains and losses and asset ceiling arising from post-employment defined benefit plans have been directly recognised in equity as follows:

Year ended 31 March (in € million)	2008	2007*	2006*
Opening balance (net loss)	**(1,081)**	**(1,132)**	**(1,028)**
Actuarial gains and losses generated during the period	26	84	(102)
Asset ceiling generated during the period	4	(33)	(2)
Closing balance (net loss)	**(1,051)**	**(1,081)**	**(1,132)**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

COMPONENTS OF PLAN ASSETS

At 31 March (in € million)	2008	%	2007	%	2006	%
Equities	1,267	37,7	1,459	37,8	1,651	50,4
Bonds	1,619	48,2	1,968	51,0	1,215	37,1
Properties	310	9,2	332	8,6	265	8,1
Others	164	4,9	100	2,6	145	4,4
Total	**3,360**	**100**	**3,859**	**100**	**3,276**	**100**

Plan assets for each individual plan are invested in accordance with statutory regulations, pension plan rules, and decisions of pension fund trustees. The investment allocation has been modified to reduce exposure to equity markets. At 31 March 2008, plan assets do not include any of the Group's capital stock.

ASSUMPTIONS (WEIGHTED AVERAGE RATES)

At 31 March (in %)	2008	2007	2006
Discount rate	5.54	4.90	4.72
Rate of compensation increase	3.44	3.18	2.68
Expected return on plan assets	6.44	6.22	6.46

Actuarial assumptions used vary by country and type of plan. Compensation increase assumptions are determined at business unit level and reviewed centrally.

The expected return on plan assets has been determined according to the same method in all countries where there exist assets funding the pension liabilities: it is based on long-term market expectations taking into account the asset allocation of each fund.

The Group's health care plans are generally contributory with participants' contributions adjusted annually. The healthcare trend rate is assumed to be 9.2% in the year ended 31 March 2008 and reduces thereafter to an ultimate rate of 5.0% from 2011 onwards.

A 100-basis point increase in assumed healthcare cost trend rates would lead to a 26.4% increase in the service cost and a 17.8% increase in the benefit obligation for post-employment medical schemes. On the contrary, a 100-basis point decrease would lead to a 21.0% decrease of the service cost and a 16.0% decrease in the benefit obligation for such schemes.

ANALYSIS OF BENEFIT EXPENSE

Year ended 31 March (in € million)	**2008**	2007 *	2006 *
Service cost	(69)	(84)	(85)
Defined contributions(1)	(121)	(106)	(90)
Income from operations	**(190)**	**(190)**	**(175)**
Actuarial gains/losses from other long-term benefits	2	-	-
Amortisation of unrecognised past service cost	(10)	(7)	5
Curtailments/settlements	3	4	2
Other income (expenses)	**(5)**	**(3)**	**7**
Interest cost	(220)	(208)	(217)
Expected return on plan assets	232	200	200
Financial income (expenses)	**12**	**(8)**	**(17)**
Total benefit expense	**(183)**	**(201)**	**(185)**

* Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2.A).

(1) Including multi-employer contributions analysed as defined contributions.

Total cash spent in the year ended 31 March 2008 for defined benefit and defined contribution plans amounted to €292 million (€594 million for the year-ended 31 March 2007, out of which €300 million attributable to an exceptional and discretionary funding of pension plans in Germany).

The company's best estimate of contributions to defined benefit and defined contribution plans expected to be paid in the year ended 31 March 2009 is approximately €300 million, of which €140 million of employer contributions to defined benefits plans.

NOTE 26. FINANCIAL DEBT

A. ANALYSE PAR NATURE

At 31 March (Carrying amount in € million)	2008	2007	2006
Bonds reimbursable in shares (debt component)	1	3	5
Subordinated notes	-	-	5
Bonds[1]	828	1,677	2,189
Other borrowing facilities	202	126	106
Put options and earn-out on acquired entities[2]	185	185	-
Derivatives relating to financing activities	19	7	-
Accrued interests	5	9	33
Borrowings	**1,240**	**2,007**	**2,338**
Non-current	*664*	*1,922*	*2,018*
Current	*576*	*85*	*320*
Obligations under finance leases	167	187	217
Other obligations under long-term rental[3]	520	628	16
Obligations under finance leases	**687**	**815**	**233**
Non-current	*644*	*775*	*193*
Current	*43*	*40*	*40*
Total financial debt	**1,927**	**2,822**	**2,571**

(1) The nominal and effective interest rates of the bonds are as follows:

		Redemption date			
(Nominal value in € million)	Total	26 July 2006	28 July 2008	13 March 2009	3 March 2010
Outstanding amount at 31 March 2006	**2,226**	**226**	**400**	**600**	**1,000**
Bonds reimbursed at maturity date	(226)	(226)	-	-	-
Bonds bought back and cancelled	(300)	-	(30)	(70)	(200)
Outstanding amount at 31 March 2007	**1,700**	**-**	**370**	**530**	**800**
Bonds bought back and cancelled	(866)	-	(121)	(369)	(376)
Outstanding amount at 31 March 2008	**834**	**-**	**249**	**161**	**424**
Nominal interest rate	-	-	Euribor 3M+ 0.85%	Euribor 3M+ 2.20%	6.25%
Effective interest rate as of 31 March 2008	-	-	5.2%	6.8%	7.2%
Effective interest rate as of 31 March 2007	-	-	4.1%	5.4%	7.2%

(2) At 31 March 2008, the €185 million liabilities include a €162 million put option granted in connection with the sale of 50 % Hydro activities to Bouygues on 31 October 2006 (€153 million at 31 March 2007, see Note 4).

(3) This debt represents liabilities related to lease obligations on trains and associated equipment. The non-current portion of this debt classified as held for sale at 31 March 2006 has been reclassified to financial debt at 31 March 2007 (see Note 30).

B. FINANCIAL COVENANTS

At 31 March 2008, a €1,000 million revolving credit facility maturing in March 2012 and extended for €942 million up to March 2013, with an option to further extend up to March 2014, is fully undrawn; this facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum Interest Cover (a)	Maximum total debt (€m) (b)	Maximum total net debt leverage (c)
From March 2008 to September 2013	3	5.000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense, (excluding interest related to obligations under finance lease). The interest cover at 31 March 2008 stands at 36.6 (17.7 at 31 March 2007).

(b) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. Total debt amounts to €1,240 million at 31 March 2008.

(c) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as at 31 March 2008 is (0.7) (0 at 31 March 2007).

C. OTHER INFORMATION ON FINANCIAL DEBT

The financial debt before swaps is broken down between fixed rate and floating rate as follows:

At 31 March (in € million and in nominal value)	**2008**	2007	2006
Financial debt at fixed rate	1,290	1,710	1,565
Financial debt at floating rate	461	949	1,041
Put options and earn-out on acquired entities	185	185	-
Financial debt	**1,936**	**2,844**	**2,606**

The split per currency is the following:

At 31 March (in € million and in nominal value)	**2008**	2007	2006
Euro	1,153	2,020	2,415
U.S. Dollar	24	40	31
British Pound	541	647	43
Other currencies	218	137	117
Financial debt	**1,936**	**2,844**	**2,606**

NOTE 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

A. FINANCIAL INSTRUMENTS REPORTED IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

The main valuation methods applied are as follows:

- available for sale assets are stated at cost in the balance sheet as their fair value cannot be determined reliably;
- borrowings, when unhedged, are stated at amortised cost, determined by the effective interest method. The financial liabilities hedged by interest rate swaps and qualifying for hedge accounting are measured at the fair value of the liability;
- the fair value of cash, cash equivalents, trade receivables and trade payables is considered as being equivalent to carrying value, due to their short maturities;
- the fair value of the financial debt is estimated based on either quoted market prices for traded instruments or current rates offered to the Group for debt of the same maturity.

Balance sheet position

	At 31 March 2008			Analysis of carrying amount by category of instrument(1)				
(in € million)	Balance sheet carrying amount	Out of which carrying amount of financial instruments	Fair value	FV P/L	AFS	HTM	LRL at amortised cost	DER
Associates and available for sale assets	62	36	36	-	36	-	-	-
Other non-current assets	635	617	617	-	-	-	617	-
Trade receivables	3,538	3,538	3,538	-	-	-	3,538	-
Other current assets related to operating activities	2,042	1,284	1,284	-	-	-	870	414
Marketable securities and other current financial assets	170	170	170	156	-	7	-	7
Cash and cash equivalents	2,115	2,115	2,115	-	-	-	2,115	-
Assets	**8,562**	**7,760**	**7,760**	**156**	**36**	**7**	**7,140**	**421**
Non-current borrowings	664	664	672	-	-	-	664	-
Non-current obligations under finance leases	644	644	644	-	-	-	644	-
Current borrowings	576	576	578	-	-	-	557	19
Current obligations under finance leases	43	43	43	-	-	-	43	-
Trade payables	3,132	3,132	3,132	-	-	-	3,132	-
Other current liabilities	2,528	1,606	1,606	-	-	-	1,384	222
Liabilities	**7,587**	**6,665**	**6,675**	**-**	**-**	**-**	**6,424**	**241**

(1) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; HTM short for held-to-maturity; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

Impact on financial income and expense

<table>
<tr><th rowspan="2">(in € million)</th><th rowspan="2">Interest</th><th rowspan="2">Dividends</th><th colspan="2">From subsequent measurement</th><th rowspan="2">Disposal</th><th rowspan="2">Foreign currency and other</th><th rowspan="2">Net gain/ (loss)</th></tr>
<tr><th>Gain</th><th>Loss</th></tr>
<tr><td>Loans and receivables</td><td>79</td><td>-</td><td>-</td><td>-</td><td>-</td><td rowspan="2">(32)</td><td rowspan="2">(102)</td></tr>
<tr><td>Liabilities measured at amortised cost</td><td>(149)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Instruments at fair value through profit and loss</td><td>11</td><td>-</td><td>-</td><td>(1)</td><td>6</td><td>-</td><td>16</td></tr>
<tr><td>Held-to-maturity investments</td><td>-</td><td>-</td><td>-</td><td>-</td><td>1</td><td>-</td><td>1</td></tr>
<tr><td>Available-for-sale assets</td><td>-</td><td>4</td><td>-</td><td>-</td><td>-</td><td>-</td><td>4</td></tr>
<tr><td>Total</td><td>(59)</td><td>4</td><td>-</td><td>(1)</td><td>7</td><td>(32)</td><td>(81)</td></tr>
</table>

The column "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 3.H) and bank fees (see Note 8).

Impact on income from operations

Net foreign currency gains and losses recorded within income from operations are positive by €14 million for the year ended 31 March 2008.

They are made up of two components:

- forward points attached to hedging transactions qualified for hedge accounting;
- variation of fair value of instruments hedging future cash-flows and not qualifying for hedge accounting.

B. FINANCIAL INSTRUMENTS REPORTED IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

Balance sheet position

	At 31 March 2007			Analysis of carrying amount by category of instrument[(1)]				
(in € million)	Balance sheet carrying amount	Out of which carrying amount of financial instruments	Fair value	FV P/L	AFS	HTM	LRL at amortised cost	DER
Associates and available for sale assets	34	30	30	-	30	-	-	-
Other non-current assets	812	801	801	-	-	-	801	-
Trade receivables	2,886	2,886	2,886	-	-	-	2,886	-
Other current assets related to operating activities	1,494	935	935	-	-	-	778	157
Marketable securities and other current financial assets	197	197	197	175	-	18	-	4
Cash and cash equivalents	1,907	1,907	1,907	992	-	-	915	-
Assets	**7,330**	**6,756**	**6,756**	**1,167**	**30**	**18**	**5,380**	**161**
Non-current borrowings	1,922	1,922	2,003	-	-	-	1,922	-
Non-current obligations under finance leases	775	775	775	-	-	-	775	-
Current borrowings	85	85	85	-	-	-	78	7
Current obligations under finance leases	40	40	40	-	-	-	40	-
Trade payables	2,976	2,976	2,976	-	-	-	2,976	-
Other current liabilities	1,814	1,268	1,268	-	-	-	1,178	90
Liabilities	**7,612**	**7,066**	**7,147**	**-**	**-**	**-**	**6,969**	**97**

(1) FV P/L states for fair value through profit and loss; AFS states for available-for-sale assets; HTM states for Held-to-maturity; LRL states for Loans, receivables and liabilities and DER states for derivative instruments.

Impact on financial income and expense

(in € million)	Interest	Dividends	From subsequent measurement: Gain	From subsequent measurement: Loss	Disposal	Foreign currency and other	Net gain/ (loss)
Loans and receivables	77	-	-	-	-	(29)	(116)
Liabilities measured at amortised cost[1]	(164)	-	-	-	-		
Instruments at fair value through profit and loss	6	-	4	-	1	-	11
Held-to-maturity investments	-	-	-	-	-	-	-
Available-for-sale assets	-	2	-	-	-	-	2
Total	**(81)**	**2**	**4**	**-**	**1**	**(29)**	**(103)**

(1) Including €(2) million related to interest rate swap.

The column "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 3.H).

Impact on income from operations

Net foreign currency gains and losses recorded within income from operations for the year ended 31 March 2007 were positive by €18 million.

C. CURRENCY RISK MANAGEMENT

In the course of its operations, the Group is exposed to currency risk arising from tenders submitted in foreign currency, and from awarded contracts or any future cash out transactions denominated in foreign currency. Main currencies triggering a significant exposure for the year ended 31 March 2008 are the U.S. dollar and the Swiss franc.

During the tender period, depending on the probability to obtain the project and on market conditions, the Group generally hedges a portion of its tenders using options or export insurance contracts when possible. Once the contract is signed, forward exchange contracts or currency swaps are used to hedge the actual exposure during the life of the contract (either as the only hedging instruments or as a complement to existing export insurance contracts).

As an exception to the policy described above and subject to management approval, it may be decided in specific circumstances not to hedge the full exposure.

The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposure on any individual sale or purchase transaction in excess of €100,000 for which payment is anticipated more than one month after the Group has entered into a firm commitment. The forward currency contracts must be denominated in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness.

At 31 March 2008 and 31 March 2007, derivative instruments hedging foreign currency risk are recognised at their fair value in the balance sheet as follows:

(in € million)	**At 31 March 2008** Assets	**At 31 March 2008** Liabilities	At 31 March 2007 Assets	At 31 March 2007 Liabilities
Derivatives qualifying for fair value hedge	369	221	151	90
Derivatives qualifying for cash flow hedges	-	-	-	-
Derivatives qualifying for net investment hedges	-	-	-	-
Derivatives not qualifying for hedge accounting	52	20	6	-
Total	**421**	**241**	**157**	**90**

The fair value of those instruments is the estimated amount that the Group would receive or pay to settle the related agreements, valued on the basis of relevant yield curves and foreign exchange rates as at closing date.

High volatility of foreign exchanges rates during year-ended 31 March 2008 explains the significant increase in the fair value of derivative instruments (either positive or negative). For instruments that qualify for hedge accounting, any change in fair value is mostly offset by the re-measurement of the underlying exposure (either on-balance sheet or off-balance sheet).

The following table demonstrates the sensitivity of the Group's profit before tax to a change in the U.S. dollar and Swiss Franc exchange rate. Income statement impact is related to derivative instruments not qualifying for hedge accounting or unhedged monetary items.

	USD rate		CHF rate	
	Variation	Effect on pre-tax income	Variation	Effect on pre-tax income
Year ended 31 March 2008	10%	(4)	5%	28
	-10%	5	-5%	(30)
Year ended 31 March 2007	10%	(7)	5%	-
	-10%	6	-5%	-

The derivatives described in Note 34 are considered as not representative of the Group's exposure to foreign risk at 31 March 2008 and therefore this exposure is excluded from the sensitivity table.

D. INTEREST RATE RISK MANAGEMENT

The Group has not implemented a dynamic interest rate risk management policy. However under the supervision of the Executive Committee, it may enter into transactions in order to hedge its interest rate risk on a case-by-case basis according to market opportunities.

Sensitivity to interest rates

At 31 March (in € million, carrying amount)	2008	2007
Financial assets at floating rate	2,288	2,140
Financial assets at fixed rate	572	665
Financial assets not bearing interests	34	119
Financial assets	**2,894**	**2,924**
Financial debt at floating rate	(461)	(949)
Financial debt at fixed rate	(1,281)	(1,688)
Put options and earn-out on acquired entities	(185)	(185)
Financial debt	**(1,927)**	**(2,822)**
Net position at floating rate before swaps*	1,827	1,191
Net position at fixed rate before swaps*	(709)	(1,023)
Put options and earn-out on acquired entities	(185)	(185)
Net position not bearing interests	34	119
Net position before hedging	**967**	**102**
Net position at floating rate after swaps*	1,827	991
Net position at fixed rate after swaps*	(709)	(823)
Put options and earn-out on acquired entities	(185)	(185)
Net position not bearing interests	34	119
Net position after hedging	**967**	**102**

* At 31 March 2007, the Group held swaps from fixed rate to floating rate with a nominal value of €200 million and a fair value of €(4) million. These swaps were cancelled during the year ended 31 March 2008.

A 1% increase in market rates would decrease the net interest expense by €18 million.

Regarding the year ended 31 March 2007, a 1% increase in market rates would have had the following effects:

- before swaps: decrease of the net interest expense by €12 million, representing 16.0% of the net interest expense;
- after swaps: decrease of the net interest expense by €10 million, representing 13.3% of the net interest expense.

E. CREDIT RISK MANAGEMENT

Risk related to customers

The Group believes that the risk of a counterpart failing to perform as contracted, which could have a significant impact on the Group's financial statements or results of operations, is limited because the Group seeks to ensure that customers generally have strong credit profiles or adequate financing to meet their project obligations.

In particular cases, the Group may use export credit insurance policies which may hedge up to 90% of the credit risk on certain contracts.

Risk related to other financial assets

The Group's exposure to credit risk related to other financial assets arises from default of the counterpart, with a maximum exposure equal to the carrying amount of those instruments.

Risk related to cash and cash equivalents

At 31 March 2008, as part of the central treasury management, cash and cash equivalents are invested entirely in deposits with bank counterparts of first rank noted "Investment Grade".

The Group's parent company has access to some cash held by wholly-owned subsidiaries through the payment of dividends or pursuant to intercompany loan arrangements. However, local constraints can delay or restrict this access. Furthermore, while the Group's parent company has the power to control decisions of subsidiaries of which it is the majority owner, its subsidiaries are distinct legal entities and their payment of dividends and granting of loans, advances and other payments to the parent company may be subject to legal or contractual restrictions, be contingent upon their earnings or be subject to business or other constraints. These limitations include local financial assistance rules, corporate benefit laws and other legal restrictions. The Group's policy is to centralise liquidity of subsidiaries at the parent company's level when possible. The cash and cash equivalents available at subsidiary level were €238 million and €267 million at 31 March 2008 and 31 March 2007, respectively.

F. LIQUIDITY RISK MANAGEMENT

The following tables show undiscounted interest payments and repayments of all financial instruments held at 31 March 2008 and 31 March 2007 as contractually agreed by the Group. Planning data for future new assets and liabilities are not reported. Amounts in foreign currency are translated at the closing rate. The variable interest payments are calculated using the last interest rates available at the reporting date. Assets and liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Net cash at 31 March 2008

Cash flow for the years ended 31 March (in € million)	Carrying amount	2009		2010		2011-13		2014 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	546	-	20	-	23	-	94	-	409
Marketable securities and other current financial assets	170	7	170	-	-	-	-	-	-
Cash and cash equivalents	2,115	85	2,115	-	-	-	-	-	-
Assets	**2,831**	**92**	**2,305**	**-**	**23**	**-**	**94**	**-**	**409**
Non-current borrowings	664	(32)	-	(29)	(645)	-	(13)	-	(12)
Non-current obligations under finance leases	644	-	-	-	(43)	-	(141)	-	(460)
Current borrowings	576	(20)	(576)	-	-	-	-	-	-
Current obligations under finance leases	43	-	(43)	-	-	-	-	-	-
Liabilities	**1,927**	**(52)**	**(619)**	**(29)**	**(688)**	**-**	**(154)**	**-**	**(472)**
Net cash	**904**	**40**	**1,686**	**(29)**	**(665)**	**-**	**(60)**	**-**	**(63)**

Derivatives at 31 March 2008

Cash flow for the years ended 31 March (in € million)	Carrying amount	2009		2010		2011-13		2014 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current assets related to operating activities	414	-	310	-	74	-	30	-	-
Assets	**414**	**-**	**310**	**-**	**74**	**-**	**30**	**-**	**-**
Other current liabilities	222	-	(182)	-	(26)	-	(14)	-	-
Liabilities	**222**	**-**	**(182)**	**-**	**(26)**	**-**	**(14)**	**-**	**-**
Derivatives	**192**	**-**	**128**	**-**	**48**	**-**	**16**	**-**	**-**

Other financial assets and liabilities at 31 March 2008

Cash flow for the years ended 31 March (in € million)	Carrying amount	2009		2010		2011-13		2014 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	36	-	-	-	-	-	-	-	36
Other non-current assets	71	-	19	-	-	-	32	-	20
Trade receivables	3,538	-	3,538	-	-	-	-	-	-
Other current assets related to operating activities	870	-	870	-	-	-	-	-	-
Assets	**4,515**	**-**	**4,427**	**-**	**-**	**-**	**32**	**-**	**56**
Trade payables	3,132	-	(3,132)	-	-	-	-	-	-
Other current liabilities	1,384	-	(1,384)	-	-	-	-	-	-
Liabilities	**4,516**	**-**	**(4,516)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**(1)**	**-**	**(89)**	**-**	**-**	**-**	**32**	**-**	**56**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. The financial debt that will mature in the next 12 months are mainly bonds.

Net debt at 31 March 2007

Cash flow for the years ended 31 March (in € million)	Carrying amount	2008		2009		2010-12		2013 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	654	-	20	-	23	-	96	-	515
Marketable securities and other current financial assets	197	7	197	-	-	-	-	-	-
Cash and cash equivalents	1,907	67	1,907	-	-	-	-	-	-
Assets	**2,758**	**74**	**2,124**	**-**	**23**	**-**	**96**	**-**	**515**
Non-current borrowings	1,922	(100)	-	(87)	(927)	(45)	(984)	-	(12)
Non-current obligations under finance leases	775	-	-	-	(43)	-	(146)	-	(586)
Current borrowings	85	(2)	(85)	-	-	-	-	-	-
Current obligations under finance leases	40	(2)	(40)	-	-	-	-	-	-
Liabilities	**2,822**	**(104)**	**(125)**	**(87)**	**(970)**	**(45)**	**(1,130)**	**-**	**(598)**
Net debt	**(64)**	**(30)**	**1,999**	**(87)**	**(947)**	**(45)**	**(1,034)**	**-**	**(83)**

Derivatives at 31 March 2007

Cash flow for the years ended 31 March (in € million)	Carrying amount	2008		2009		2010-12		2013 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current assets related to operating activities	157	-	129	-	21	-	7	-	-
Assets	**157**	**-**	**129**	**-**	**21**	**-**	**7**	**-**	**-**
Other current liabilities	90	-	(68)	-	(16)	-	(6)	-	-
Liabilities	**90**	**-**	**(68)**	**-**	**(16)**	**-**	**(6)**	**-**	**-**
Derivatives	**67**	**-**	**61**	**-**	**5**	**-**	**1**	**-**	**-**

Other financial assets and liabilities at 31 March 2007

Cash flow for the years ended 31 March (in € million)	Carrying amount	2008		2009		2010-12		2013 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	30	-	-	-	-	-	-	-	30
Other non-current assets	147	-	-	-	-	-	60	-	87
Trade receivables	2,886	-	2,886	-	-	-	-	-	-
Other current assets related to operating activities	778	-	778	-	-	-	-	-	-
Assets	**3,841**	**-**	**3,664**	**-**	**-**	**-**	**60**	**-**	**117**
Trade payables	2,976	-	(2,976)	-	-	-	-	-	-
Other current liabilities	1,179	-	(1,179)	-	-	-	-	-	-
Liabilities	**4,155**	**-**	**(4,155)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**(314)**	**-**	**(491)**	**-**	**-**	**-**	**60**	**-**	**117**

NOTE 28. OTHER CURRENT LIABILITIES

At 31 March (in € million)	2008	2007	2006
Staff and associated costs	751	652	602
Corporate income tax	123	105	146
Other taxes	287	248	169
Other payables	633	526	467
Derivatives relating to operating activities (see Note 27)	222	90	87
Remeasurement of hedged firm commitments in foreign currency	512	193	159
Other current liabilities	**2,528**	**1,814**	**1,630**

NOTE 29. EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

Year ended 31 March (in € million, except for headcount)	2008	2007	2006
Total wages and salaries	2,983	2,778	2,668
Social charges	715	680	642
Post-employment and other long-term benefit expense (see Note 25)	183	201	185
Share-based payment expense (see Note 23)	60	30	54
Total employee benefit expense	**3,941**	**3,689**	**3,549**
Staff of consolidated companies			
Managers, Engineers and professionals	27,943	24,721	22,548
Other employees	39,981	41,848	42,690
Headcount	**67,924**	**66,569**	**65,238**

NOTE 30. ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED

At 31 March 2006, assets held for sale and liabilities directly associated were originated by two planned disposals:

- disposal of the Marine Sector following the Company's commitment to sell 75% interest in the Marine Sector to Aker Yards. Simultaneously, Marine activities were presented as discontinued operations in the income statement for the full year (see Note 10);
- disposal of the entity carrying the obligations held by the Group under a long-term rental of trains and associated equipment.

DISPOSAL OF THE MARINE SECTOR

During the fiscal year ended 31 March 2007, the disposal to Aker Yards was completed. Marine activities remain presented as discontinued operations for the full year.

At 31 March 2007 and at 31 March 2008, the 25% interest held by the Group is accounted for in investments. The remaining stake will be sold to Aker Yards by the end of 2010 through a put and call agreement, at a price depending on the financial performance and up to €125 million.

LONG-TERM RENTAL OF TRAINS AND ASSOCIATED EQUIPMENT

At 31 March 2006, related non current assets and liabilities were classified as assets held for sale and liabilities directly associated as they were expected to be sold within twelve months.

At 31 March 2007, the planned disposal of the entity carrying the long term agreement was abandoned and these assets and liabilities have been reclassified to "other non current assets" and "non current obligations under finance leases".

At 31 March 2006, the major classes of assets and liabilities classified as held for sale were as follows:

(in € million)	Total at 31 March 2006	Out of which Marine	Out of long-term rental agreement
Property, plant and equipment	11	11	-
Non current assets	618	5	613
Construction contracts in progress, assets	172	172	-
Inventories, trade receivables and other current assets	38	38	-
Cash and cash equivalents	317	317	-
Assets classified as held for sale before impairment	**1,156**	**543**	**613**
Assets held for sale, impairment	(12)	(12)	-
Assets classified as held for sale after impairment	**1,144**	**531**	**613**
Provisions	124	124	-
Obligation under finance leases	615	2	613
Construction contracts in progress, liabilities	154	154	-
Trade payables and other current liabilities	250	250	-
Liabilities associated with assets classified as held for sale	**1,143**	**530**	**613**

NOTE 31. OFF-BALANCE SHEET COMMITMENTS AND LEASE OBLIGATIONS

A. OFF-BALANCE SHEET COMMITMENTS

At 31 March (in € million)	**2008**	2007	2006
Guarantees related to contracts ❶	5,871	4,972	4,816
Guarantees related to vendor financing ❷	262	362	432
Commitments to purchase fixed assets	8	3	8
Other guarantees ❸	278	177	242
Total	**6,419**	**5,514**	**5,498**

❶ Guarantees related to contracts

Banks and insurance companies bonds

In accordance with industry practice, the above instruments can, in the normal course, extend from the tender period to the end of the warranty period and may include guarantees on project completion, contract specific performance criteria or availability.

The guarantees are provided by banks or insurance companies by way of bank guarantees, surety bonds and stand-by letters of credit and usually for defined amounts and periods. They are issued in favour of the customer with whom the commercial contracts have been signed. The Group provides a counter-indemnity to the bank or surety company which issues the said instrument.

Projects for which the guarantees are given are regularly reviewed by management and should payments become probable pursuant to guarantees, the necessary accruals are made and recorded in the consolidated financial statements at that time.

At 31 March (in € million)	**2008**	2007	2006
Bid bonds	92	95	124
Performance bonds	4,905	3,967	3,569
Warranty/retention bonds	730	755	922
Other bank and insurance bonds	144	155	201
Total	**5,871**	**4,972**	**4,816**

The above figures exclude:

- €4.2 billion at 31 March 2008 (€3.6 billion at 31 March 2007) of unconditional guarantees related to advance and progress payments, which payments have been included in the balance sheet in the line "Construction contracts in progress, assets or liabilities";
- €2.3 billion at 31 March 2008 (€2.1 billion at 31 March 2007) of surety and conditional bonds where the likelihood of the commitments becoming obligations is considered to be remote.

The bonding guarantees relating to contracts, issued by banks or surety companies, amount to €12.4 billion at 31 March 2008 (€10.7 billion at 31 March 2007).

Parent company guarantees

In the context of the Share Purchase and Settlement Agreement signed with ABB Ltd in March 2000, pursuant to which the Group purchased ABB's 50% share in the joint venture ABB ALSTOM POWER, the Group agreed to indemnify ABB with respect to parent company guarantees that it had previously issued with respect to certain power contracts, the total outstanding amount of such ABB guarantees being €1.2 billion at 31 March 2008 (€1.7 billion at 31 March 2007). These parent company guarantees are not included in the above figures as they are related to liabilities already included in the consolidated accounts. In the same manner, guarantees given by parent or Group companies relating to liabilities included in the consolidated accounts are excluded.

Bonding lines and syndicated bonding facility

At 31 March 2007, the Group had in place both local bilateral lines in numerous countries and a global €10.5 billion Bonding Programme allowing issuance of new instruments up to July 2008. During the year ended 31 March 2008, the bonding programme has been amended, to keep any bilateral lines and a €8 billion syndicated bonding facility allowing issuance of new instruments up to July 2010. All these lines are now fully unsecured.

The issuance of new bonds under the bonding facility mentioned above is subject to the financial covenants disclosed in Note 27.

At 31 March 2008, €26 million of bonds and guarantees relating to units sold as part of disposals were still held by the Group (€148 million at 31 March 2007).

❷ Vendor financing

Several years ago, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of ships or Transport equipments. The off-balance sheet "vendor financing" amounts to €262 million at 31 March 2008, detailed as follows:

At 31 March (in € million)	**2008**	2007	2006
Marine	**-**	**55**	**126**
Transport	**262**	**307**	**306**
European metro operator[(1)]	*222*	*260*	*254*
Other	*40*	*47*	*52*
Total vendor financing commitments[(2)]	**262**	**362**	**432**

(1) Guarantees given include the requirement to deposit funds in escrow in the event of non-respect of certain covenants.

(2) Off-balance sheet figures correspond to the total guarantees and commitments, net of related cash deposits, which are shown as balance sheet items.

Marine

As at 31 March 2008, the residual value guarantee formerly granted for $74 million on one cruise-ship was terminated and there remain no outstanding commitments.

Transport

At 31 March 2008, guarantees given as part of vendor financing arrangements amount to €262 million. Included in this amount are:

- guarantees totalling $63 million (€40 million, €47 million and €52 million at 31 March 2008, 31 March 2007 and 31 March 2006, respectively) given with respect to equipments sold to a US train operator;and
- guarantees totalling £177 million (€222 million, €260 million and €254 million at 31 March 2008, 31 March 2007 and 31 March 2006, respectively) given as part of a leasing scheme involving London Underground (Northern Line). Were London Underground Limited to decide not to extend the contract beyond 2017, and to hand the trains back, the Group has guaranteed to the lessors that the value of the trains and associated equipment, net of the £15 million non extension payment due by London Underground, should not be less than £177 million in 2017. The £177 million is included in the €520 million amount of "Other obligations under long-term rental" (see Note 26.A(3)).

❸ Other guarantees

Other guarantees include off-balance sheet commitments relating to obligations such as VAT payments, rentals, customs duties and insurance deductibles. These are materialised by independent undertakings but mainly support existing liabilities included in the consolidated accounts.

B. LEASE OBLIGATIONS

		Maturity of lease payments		
(in € million)	Total	Within 1 year	1 to 5 years	Over 5 years
Long term rental(1)	520	20	117	383
Capital leases	206	30	86	90
Operating leases	217	19	124	74
Total at 31 March 2008	**943**	**69**	**327**	**547**
Long term rental(1)	628	19	103	506
Capital leases	245	31	98	116
Operating leases	233	19	129	85
Total at 31 March 2007	**1,106**	**69**	**330**	**707**
Long term rental(1)	629	16	100	513
Capital leases	291	36	112	143
Operating leases	300	44	134	122
Total at 31 March 2006	**1,220**	**96**	**346**	**778**

(1) Assets related to leases of trains and associated equipment to London Underground Limited (see Note 30).

NOTE 32. CONTINGENCIES

LITIGATION

The Group is engaged in several legal proceedings, mostly contract related disputes that have arisen in the ordinary course of business. Contract related disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large, long-term projects. In some cases, the amounts claimed against the Group, sometimes jointly with its consortium partners, in these proceedings and disputes are significant, ranging up to €331 million in one particular dispute in India.

Some proceedings against the Group are without a specified amount. Amounts retained in respect of litigation are taken into account in the estimate of margin at completion in case of contracts in progress or included in provisions and other current liabilities in case of completed contracts when considered as reliable estimates of probable liabilities. Actual costs incurred may exceed the amount of initial estimates because of a number of factors including the inherent uncertainties of the outcome of litigation.

ASBESTOS

The Group is subject to regulations in many countries in which it operates, regarding the control and removal of asbestos–containing material and identification of potential exposure of employees to asbestos. It has been the Group's policy for many years to abandon definitively the use of products containing asbestos by all of its operating units worldwide and to promote the application of this principle to all of its suppliers, including in those countries where the use of asbestos is permitted. In the past, however, the Group used and sold some products containing asbestos, particularly in France in its former Marine Sector sold on 31 May 2006 and to a lesser extent in its other Sectors. The Group is subject to asbestos-related legal proceedings or claims including in France, the United States and the United Kingdom.

Some of the Group's subsidiaries are the subject in France of judicial civil proceedings instituted by certain employees or former employees with the aim of obtaining a court decision holding these subsidiaries liable for an inexcusable fault (faute inexcusable) which would allow them to obtain a supplementary compensation above the payments made by the French Social Security funds of related medical costs. Although the courts of competent jurisdiction have made findings of inexcusable fault, the damages in most of these proceedings have been borne to date by the general French Social Security (medical) funds.

As for criminal law, in March 2008, the Court of Appeal of Douai confirmed the decision from the criminal court of first instance pursuant to which one of the Group's French subsidiaries was fined €75,000 for breach of the law protecting employees against asbestos dust.

The Group believes that the cases where it may be required to bear the financial consequences of such civil or criminal proceedings do not represent a material exposure and therefore no provisions have been recorded.

Certain subsidiaries of the Group were subject in the United States to various asbestos-related personal injury lawsuits alleged to involve products manufactured by Combustion Engineering, Inc. ("CE"), a US subsidiary of ABB Ltd ("ABB"), or CE's former subsidiaries and to two putative class action lawsuits asserting fraudulent conveyance claims against various ALSTOM and ABB entities in relation to CE. CE filed a plan of reorganisation in the United States Bankruptcy Court that was modified and became effective on 21 April 2006. ALSTOM believes that under the terms of the CE plan of reorganisation, it is protected against pending and future personal injury asbestos claims, or fraudulent conveyance claims, arising out of the past operations of CE.

In addition, as of 31 March 2008, the Group was also subject to approximately 12 other asbestos-related personal injury lawsuits in the United States involving approximately 467 claimants that, in whole or in part, assert claims against ALSTOM which are not related to the Power Generation Business purchased from ABB or as to which the complaint does not provide details sufficient to permit a determination to be made regarding the applicability of the ABB indemnity. Many of these lawsuits are in the preliminary stages of the litigation process and they each involve multiple defendants. The allegations in these lawsuits are often very general and therefore difficult to evaluate at preliminary stages in the litigation process. In those cases where ALSTOM's defence has not been assumed by a third party and meaningful evaluation is practicable, the Group believes that it has valid defences and, with respect to a number of lawsuits, the Group is asserting rights to indemnification against a third party. For purposes of the foregoing discussion, the Group considers a claim to no longer be pending against it if the plaintiff's attorneys have executed a notice or stipulation of dismissal or non-suit, or other similar document.

While the outcome of the existing asbestos-related cases described above is not predictable, the Group believes that those cases will not have any material adverse effect on its financial condition. It can give no assurance, however, that asbestos-related cases against it will not grow in number or that those it has at present, or may face in the future, may not have a material adverse impact on its financial condition.

PRODUCT LIABILITY

The Group designs, manufactures, and sells several products of large individual value that are used in major infrastructure projects. In this environment, product-related defects have the potential to create liabilities that could be material. If potential product defects become known, a technical assessment occurs whereby products of the affected type are quantified and studied. If the results of the study indicate that a product liability exists, provisions are recorded. The Group believes that it has made adequate provisions to cover currently known product-related liabilities, and regularly revises its estimates using currently available information. Neither the Group nor any of its businesses are aware of product-related liabilities which are expected to exceed the amounts already recognised and the Group believes it has provided sufficient amounts to satisfy its litigation, environmental and product liability obligations to the extent they can be estimated.

SEC INVESTIGATION

The Group, certain of its subsidiaries and certain current and former officers, employees and members of its Board of Directors have been involved in U.S. regulatory investigations regarding potential securities law violations.

On 30 June 2003, the Group announced that it was conducting an internal review, assisted by external lawyers and accountants, following receipt of anonymous letters alleging accounting improprieties on a railcar contract being executed at the New York facility of ALSTOM Transportation Inc. ("ATI"), one of its U.S. subsidiaries. The United States Securities and Exchange Commission ("SEC") and the United States Federal Bureau of Investigation ("FBI") began informal inquiries and in August 2003, the SEC issued a formal order of investigation in connection with its earlier review.

The Group has fully cooperated with the SEC and the FBI in this matter and intends to continue to do so. Any adverse developments in connection with this matter, including, but not limited to, any enforcement action against the Group or any of its personnel, could result in civil or criminal sanctions against the Group or any of its personnel or could otherwise materially negatively impact its business.

UNITED STATES PUTATIVE CLASS ACTION LAWSUIT

The Group, certain of its subsidiaries and certain of its current and former Officers and Directors have been named as defendants in a number of putative shareholder class action lawsuits filed on behalf of various alleged purchasers of American Depositary Receipts and other ALSTOM securities between 3 August 1999 and 6 August 2003. These lawsuits which have been consolidated in one complaint filed on 18 June 2004, alleged violations of United States federal securities laws arising from alleged untrue statements of material facts, and/or omissions to state material facts necessary to make the statements made not misleading in various ALSTOM public communications regarding its business, operations and prospects (in the areas of the performance of its GT24/26™ turbines, certain vendor financing arrangements for the former Marine Sector's customers, and its US Transport business, including but not limited to the matter described above), causing the allegedly affected shareholders to purchase ALSTOM securities at purportedly inflated prices.

On 22 December 2005, the United States Federal District Court dismissed large portions of the consolidated complaint, including all claims relating to its GT24/26™ turbines, all claims against the Group's current Officers and Directors and all claims brought by non U.S. investors who purchased ALSTOM securities on non-U.S. stock exchanges except for those relating to its U.S. Transport business. On 11 June 2007, the plaintiffs filed a motion for class certification which includes in addition to US persons all Canadian, French, English and Dutch persons who may have purchased ALSTOM's shares outside the United States. ALSTOM filed a response to the motion on 8 January 2008 contesting including the non-US persons in the class. The discovery phase of the case is continuing.

The Group's Management has spent and may in the future be required to spend considerable time and effort dealing with these matters. While the Group intends to continue to vigorously defend the putative class action lawsuit, the Group cannot ensure that there will be no adverse outcome that could have a material adverse effect on its business, results of operations and financial condition.

ENVIRONMENTAL, HEALTH AND SAFETY

The Group is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards on the Group regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. These standards expose the Group to the risk of substantial environmental costs and liabilities, including in relation with divested assets and past activities. In most of the jurisdictions in which the Group operates, its industrial activities are subject to obtaining permits, licences and/or authorisations, or to prior notification. The Group's facilities must comply with these permits, licences or authorisations and are subject to regular administrative inspections.

The Group invests significant amounts to ensure that it conducts its activities in order to reduce the risks of impacting the environment and regularly incurs capital expenditure in connection with environmental compliance requirements. Although the Group is involved in the remediation of contamination of certain properties and other sites, it believes that its facilities are in compliance with their operating permits and that its operations are generally in compliance with environmental laws and regulations.

The Group has put in place a global policy covering the management of environmental, health and safety risks.

The procedures for ensuring compliance with environmental, health and safety regulations are decentralised and monitored at each plant. The costs linked to environmental health and safety issues are budgeted at plant or unit level and included in the consolidated income statement.

The outcome of environmental, health and safety matters cannot be predicted with certainty. There can be no assurance that the Group will not incur any environmental, health and safety liabilities in the future and the Group cannot guarantee that the amount that it has budgeted or provided for remediation and capital expenditure for environmental or health and safety related projects will be sufficient to cover the intended loss or expenditure. In addition, the discovery of new conditions and facts or future changes in environmental laws, regulations or case law may result in increased liabilities that could have a material adverse effect on its financial condition or results of operations.

CLAIMS RELATING TO DISPOSALS

From time to time the Group disposes of certain businesses or business segments. As it is usual, certain acquirers make claims against the Group as a result of price adjustment mechanisms and warranties generally foreseen in the sale agreements.

As of 31 March 2008, the Group has received claims in connection with the disposals of certain of its activities which mainly concern its former T&D Sector including with respect to investigation by a number of national competition authorities notably the European Commission, of alleged anti-competitive arrangements among suppliers in certain T&D activities which are mentioned below.

In addition, the Group has retained some liabilities in relation to the delivery of a vessel equipped with pod propulsion systems (“Pods”) to Radisson Seven Seas (Regent Seven Seas Cruises, Inc. “Regent”). Regent brought suit in Miami, Florida, against various affiliates of the Group and Rolls Royce (as consortium partner) in relation to alleged defects. The case is being strongly contested in US Federal Court in Miami by the Group’s affiliates, Convertim and Rolls Royce.

ALLEGED VIOLATION OF LAWS

Although the markets of the Group are frequently fiercely competitive, there are at times allegations of anti-competitive activity due to the relatively small number of participants. In April 2006, the European Commission commenced proceedings against ALSTOM, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears (“GIS” equipments), a product of its former T&D business, following investigations that began in 2004. On 24 January 2007, the European Commission has levied a fine of €65 million against ALSTOM which includes €53 million on a joint and several basis with Areva T&D SA. ALSTOM has requested the cancellation of this decision before the European Court of first instance. Moreover, the competition authorities in Hungary and in the Czech and Slovakian Republics have levied fines of €4.3 million against ALSTOM with respect to the same alleged anti-competitive practices. ALSTOM is contesting these decisions before the local courts. A number of competition authorities of non European countries have also launched investigations in relation to GIS equipments. In addition the Group is subject to a class-action lawsuit in Israel in relation to GIS equipments, along with 12 other companies. The Group is contesting the validity of this procedure as well as the legal basis of the claim.

The Group conducts a significant proportion of its business with governmental agencies and public-sector entities. The Group actively strives to ensure compliance with all laws and regulations in particular those relating to competition and illegal payments and has established internal compliance programmes to control the risk of such illegal activities and appropriately address any problems that may arise. However, a small number of current and former employees and agents of the Group have been or are currently being investigated with respect to alleged illegal payments in various countries. Certain of these procedures may result in fines and the exclusion of its subsidiaries from public tenders in the relevant country for a defined period.

The Group considers that there are no matters outstanding and unprovided that are capable of estimation that are likely to have a material adverse impact on the consolidated financial statements.

NOTE 33. RELATED PARTIES

SHAREHOLDERS OF THE GROUP

To the Group's knowledge, the only shareholder holding more than 5% of the parent company's share capital is Bouygues, a French company listed on Paris stock market. At 31 March 2008, Bouygues holds a 30% stake in ALSTOM share capital (see Note 4 for agreements related to ALSTOM Hydro activities).

ASSOCIATES AND NON CONSOLIDATED ENTITIES

During the year ended 31 March 2008, the Group and a third party venturer have established ALSTOM Atomenergomash, a joint venture dedicated to manufacturing the conventional islands of Russian nuclear power plants. The joint venture, in which the Group holds 49%, is accounted for under the equity method. The joint venture has received intangible assets (technology) from ALSTOM and tangible assets (land & building) from JSC Atomenergomash (see Note 4).

The Group has not recorded any other sale or purchase of goods and services with ALSTOM Atomenergomash for the period ended 31 March 2008.

RECORDED EXPENSE IN RESPECT OF COMPENSATION AND RELATED BENEFITS ATTRIBUTABLE TO KEY MANAGEMENT PERSONNEL DURING THE YEAR

The Group considers that key management personnel as meant by IAS 24 are the members of the Executive Committee.

Year ended 31 March (in € thousand)	2008	2007	2006
Short-term benefits	**7,613**	**7,366**	**6,892**
Fixed gross salaries	3,613	3,633	3,416
Variable gross salaries	3,414	3,209	2,978
Non monetary benefits	39	39	39
Post-employment benefits	118	120	117
Directors' fees(1)	429	365	342
Other benefits	**4,745**	**4,187**	**2,459**
Post-employment benefits	1,491	1,783	760
Share-based payments(2)	3,254	2,404	1,699
Total	**12,358**	**11,553**	**9,351**

(1) Since 1 April 2005, the Chairman and Chief Executive Officer has waived his Directors's fees.

(2) Expense recorded in the income statement in respect of stock option plans and performance shares.

NOTE 34. SUBSEQUENT EVENT

CHANGE IN FUNCTIONAL CURRENCY IN SWITZERLAND

In application of IAS 21, 11 entities located in Switzerland and representing Power activities changed their functional currency from CHF to EUR on 1 April 2008.

This conversion results from the significant increase, over the last years, of Euro denominated business in ALSTOM Switzerland's activities. This trend is the consequence of ALSTOM's numerous intercompany flows within its strong European industrial base as well as customers readiness to be invoiced in EUR.

As regards the current commitments of these entities in currencies other than EUR are concerned, derivatives were negotiated at the end of March to enable ALSTOM to hedge future cash flows. They will qualify for hedge accounting on 1 April 2008. The notional amount of those derivatives is €3,707 million. Considering their temporary "trading" nature, they were not included in the IFRS 7 sensitivity analysis presented in Note 27. However, as trading derivatives, they were recorded at mark to market through profit and loss for the purpose of March 2008 closing and at that date, their fair value amounted to €5 million.

NOTE 35. MAJOR COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The major companies of the Group are listed below and selected according to one of the following criteria:

- significant Holding companies;
- sales above €100 million for the year ended 31 March 2008.

Parent company

Companies	Country	Ownership %	Consolidation Method
ALSTOM SA	France	-	Parent company

Holding companies

Companies	Country	Ownership %	Consolidation Method
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Inc	United States	100%	Full consolidation
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM UK Holdings Ltd	United Kingdom	100%	Full consolidation

Industrial companies

Companies	Country	Ownership %	Consolidation Method
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Canada Inc.	Canada	100%	Full consolidation
ALSTOM Ferroviaria S.p.A	Italy	100%	Full consolidation
ALSTOM Hydro Energia Brasil Ltda	Brazil	100%	Full consolidation
ALSTOM Hydro France	France	100%	Full consolidation
ALSTOM Hydro Switzerland Ltd	Switzerland	100%	Full consolidation
ALSTOM K.K.	Japan	100%	Full consolidation
ALSTOM LHB GmbH	Germany	100%	Full consolidation
ALSTOM Ltd	Australia	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Norway AS	Norway	100%	Full consolidation
ALSTOM Power Centrales	France	100%	Full consolidation
ALSTOM Power Energy Recovery GmbH	Germany	100%	Full consolidation
ALSTOM Power Generation AG	Germany	100%	Full consolidation
ALSTOM Power Inc.	United States	100%	Full consolidation
ALSTOM Power Italia Spa	Italy	100%	Full consolidation
ALSTOM Power SA	Spain	100%	Full consolidation
ALSTOM Power Service	France	100%	Full consolidation
ALSTOM Power Service Arabia Ltd.	United Arab Emirates	100%	Full consolidation
ALSTOM Power Service GmbH	Germany	100%	Full consolidation
ALSTOM Power Sp.z o.o.	Poland	100%	Full consolidation
ALSTOM Power Sweden AB	Sweden	100%	Full consolidation
ALSTOM Power System GmbH	Germany	100%	Full consolidation
ALSTOM Power Turbomachines	France	100%	Full consolidation
ALSTOM Projects India Ltd	India	69%	Full consolidation
ALSTOM Switzerland Ltd.	Switzerland	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Transportation Inc.	United States	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
AP Com Power Inc.	United States	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
Ecotecnia Energias Renovables S.L.	Spain	100%	Full consolidation
Tianjin ALSTOM Hydro Co. Ltd	China	99%	Full consolidation
West Coast Traincare	United Kingdom	100%	Full consolidation

A list of all consolidated companies is available upon request at the head office of the Group.

Independant Auditors' report on the consolidated financial statements

(This is a free translation into English of the Independent Auditors' report signed and issued in the French language and is provided solely for the convenience of English-speaking readers. Accounting principles and auditing standards and their application in practice vary from one country to another. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted other than IFRS as endorsed by the European Union. In addition, the procedures and practices followed by the Independent Auditors in France with respect to such consolidated financial statements included in a prospectus may differ from those generally accepted and applied by Independent Auditors in other countries. Accordingly, the French consolidated financial statements and the Independent Auditors' report, of which a translation is presented in this document for convenience only, are for use by those knowledgeable about IFRS accounting procedures, French auditing standards and their application in practice. The Independent Auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account caption or on information taken outside of the consolidated financial statements.
Such report should be read in conjunction and construed in accordance with French law and French auditing professional standards.)

Year ended 31 March 2008

To the Shareholders,

In accordance with our appointment as Independent Auditors by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2008 on the audit of the accompanying consolidated financial statements of ALSTOM.

The consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion as expressed below.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as at 31 March 2008 and the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union. Without qualifying our opinion, we draw attention to the matter discussed in Note 2.A to the consolidated financial statements relating to the changes in accounting method following the adoption of the option offered by the amendment to IAS 19 "Employee benefits" to recognise directly in equity all actuarial gains and losses on post-employment benefit plans.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- as indicated in Note 12 of the consolidated financial statements, ALSTOM has requested a third party valuer to review the value of goodwill by using the discounted cash flows methodology, derived from the strategic plans prepared by all Sectors and approved by the management of the Group. We have examined the report prepared by the third party valuer which describes the assumptions made, the tests performed and the valuations which justify the fact that goodwill is not impaired as at 31 March 2008. In addition, we have compared the data used by the valuer with the forecasts prepared by ALSTOM and carried out an assessment of the reasonableness of these estimates;
- as indicated in Note 9, ALSTOM recorded as at 31 March 2008 net deferred tax assets of €1,067 million resulting from tax losses carried forward and other timing differences and supported by the capacity of the Group to generate sufficient taxable income. We have examined and carried out an assessment of the reasonableness of the assumptions used by ALSTOM, which support the recognition of deferred tax assets in the Group's consolidated balance sheet;
- ALSTOM records provisions for retirement, termination and post-retirement benefit obligations according to the principles described in Note 3.U. The major part of these obligations has been the subject of external actuarial valuations that we have examined and carried out an assessment of their reasonableness. We have also examined the information provided in Note 25;
- as described in Notes 3.B, 3.C, 24, 31, and 32 of the consolidated financial statements, ALSTOM makes significant accounting estimates, notably when determining the margin at completion on each contract, determined on the basis of the latest information available. Those estimates are recorded in the balance sheet under "Construction contracts in progress, assets", "Construction contracts in progress, liabilities" and for contracts completed in "Current provisions". We have examined the processes used by ALSTOM in this respect and have considered the data and assumptions on which these estimates are based. We have carried out an assessment of the reasonableness of these estimates.

All the points mentioned in the paragraphs above are based on forecasts which are, by nature, uncertain and that the final outcome can, as a consequence, materially differ from the initial forecasts.

The assessments were made in the context of our audit of the consolidated financial statements as at 31 March 2008, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. SPECIFIC PROCEDURES

We have also performed procedures in accordance with the professional standards applicable in France on the information given in the group management report of the Board of Directors. We have no comment to make as to the fair presentation of this information, nor its consistency with the consolidated financial statements.

Neuilly-sur-Seine, 7 May 2008

The Independent Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG ET AUTRES
Dominique Descours	Gilles Puissochet

STATUTORY ACCOUNTS

Income statements

Year ended 31 March (in € million)	Note	2008	2007	2006
Management fees and other operating income		85	77	63
Reversal of provisions and valuation allowances		-	-	1
Total operating income (I)		**85**	**77**	**64**
Administrative costs and other operating expenses		(23)	(39)	(35)
Addition to provisions, amortisation and valuation allowances		(3)	(3)	(3)
Total operating expenses (II)		**(26)**	**(42)**	**(38)**
Net operating income (I - II)	**(3)**	**59**	**35**	**26**
Dividends		-	-	-
Reversal of impairment losses		-	2,608	6,198
Interest income and related income		180	196	195
Total financial income (III)		**180**	**2,804**	**6,393**
Addition to impairment losses and amortisation		(18)	(18)	(45)
Interest expenses and related expenses		(112)	(142)	(145)
Total Financial Expenses (IV)		**(130)**	**(160)**	**(190)**
Net financial income (III - IV)	**(4)**	**50**	**2,644**	**6,203**
Current income (I - II + III - IV)		**109**	**2,679**	**6,229**
Net exceptional income (V)		**(1)**	**(7)**	**133**
Income tax (VI)	(5)	72	29	36
Total income (I + III + V)		**264**	**2,874**	**6,590**
Total expenses (II + IV + VI)		**(84)**	**(173)**	**(192)**
Net profit		**180**	**2,701**	**6,398**

Balance sheets

Net value at 31 March (in € million)	Note	2008	2007	2006
Assets				
Fixed assets				
Intangible assets	(6)	3	5	7
Financial assets	**(7)**			
Investments		9,216	9,217	6,609
Advances to subsidiary		3,149	3,865	4,270
Total fixed assets (I)		**12,368**	**13,087**	**10,886**
Current assets				
Receivables	(8)	53	29	32
Deferred charges and prepaid expenses	(9)	15	33	51
Total current assets (II)		**68**	**62**	**83**
Total assets (I + II)		**12,436**	**13,149**	**10,969**

Shareholders' equity and liabilities

Value at 31 March (in € million)	Note	2008	2007	2006
Shareholders' equity	(10)			
Share capital		1,982	1,941	1,935
Capital surplus		370	280	267
Legal reserves		194	193	-
Restricted reserve		11	9	-
General reserves		7,489	5,491	-
Retained earnings		1,262	673	(32)
Net profit		180	2,701	6,398
Total shareholders' equity (I)		**11,488**	**11,288**	**8,568**
Bonds reimbursable with shares (II)	**(11)**	**49**	**80**	**100**
Provisions for risks and charges (III)	**(12)**	**44**	**44**	**35**
Liabilities				
Bonds	(13)	840	1,709	2,241
Borrowings		-	-	5
Trade payables		12	7	15
Tax and social security payables		2	3	-
Other payables		1	18	5
Total liabilities (IV)		**855**	**1,737**	**2,266**
Total shareholders' equity and liabilities (I + II + III + IV)		**12,436**	**13,149**	**10,969**

Notes to the statutory financial statements

NOTE 1. BASIS OF PREPARATION OF THE STATUTORY FINANCIAL STATEMENTS

The accounts as of 31 March 2008 have been prepared in accordance with the provisions of the following rules applicable in France:
- the Parliament Act dated 30 April 1983 and the related Decree dated 29 November 1983;
- the 1999 French Chart of Accounts as described by the Regulation 1999-03 issued by the "Comité de la Réglementation Comptable" (CRC);
- the subsequent regulations which amend the Chart of Accounts.

These accounts have been prepared using the same valuation principles and methodology used as at 31 March 2007.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

A. INVESTMENTS IN SUBSIDIARIES

Investments are recorded at acquisition cost, excluding transaction costs.

The year end valuation is based on current use value defined as the value of the investment to the Company and deriving from a number of assessment methods, notably return on assets, fair value and other methods, as appropriate.

When the recoverable value of the investment is lower than the book value, an impairment loss is recognised.

B. CAPITAL INCREASE

A share capital increase is recorded at the nominal share price. If a difference exists with the effective cash received, this difference is recorded as a capital surplus.

Transaction costs on capital increase are offset against capital surplus. If total transaction costs exceed the capital surplus, the excess is recorded as intangible assets and amortised over a period of five years.

C. PROVISIONS

Provisions are liabilities of uncertain timing or amount.

They include a provision representing the obligations arising from post-employment defined benefits granted to the Chairman and Chief Executive Officer. The obligation is determined using the projected unit credit method and is wholly recognised.

D. FINANCIAL DEBT

Financial debt is recorded at nominal value. Transaction costs are recorded as deferred charges and amortised over the duration of the borrowings.

Financial instruments (swaps) may be used to hedge interest rate risks on bonds.

E. TAX CONSOLIDATION

ALSTOM is the leader of a French tax group including ALSTOM Holdings and several subsidiaries of ALSTOM Holdings.

Each company determines its income tax charge on the basis of its own tax results for the year, as if it was not included in a tax group. ALSTOM recognises a gain or a loss equal to the difference between the current income tax based on the group pre-tax income and the sum of tax charges recognised by the entities members of the tax group.

NOTE 3. NET OPERATING INCOME

Operating income are made of €85 million management fees invoiced to the Group's Companies for the use of the ALSTOM name.

Administrative costs and other operating expenses include management fees invoiced by ALSTOM Holdings, external operating expenses, the remuneration of the Chairman and Chief Executive Officer (€2,390,539 for the financial year ended 31 March 2008) and directors' fees (€462,500).

Depreciation and amortisation expenses include the amortisation expense of transaction costs related to capital increases (€2 million).

NOTE 4. NET FINANCIAL INCOME

The net financial income amounts to €50 million and is made up of the following:

- €179 million of interest income, out of which €170 million relate to the advance to ALSTOM Holdings;
- €88 million of interest expenses on bonds and borrowings;
- €23 million of premiums paid to holders of bonds bought back and cancelled during the year;
- €18 million on amortisation of premiums and transaction costs related to bonds and borrowings.

NOTE 5. INCOME TAX

The €72 million tax credit is broken down as follows:

- a €75 million gain from tax grouping; and
- €3 million loss from withholding taxes not allocated;

Without the tax grouping scheme, a €37 million income tax charge would have been recorded.

NOTE 6. INTANGIBLE FIXED ASSETS

At 31 March (in € million)	2007	Acquisition/disposals	Amortisation/impairment	2008
Trademark registration fees				
Gross value	2			2
Impairment	-			-
Net value	**2**			**2**
Costs related to capital increase				
Gross value	11			11
Amortisation	(8)		(2)	(10)
Net value	**3**		**(2)**	**1**
Total intangible fixed assets	**5**	-	**(2)**	**3**

NOTE 7. FINANCIAL ASSETS

ALSTOM Holdings is ALSTOM's sole subsidiary and owns all operating entities of the Group.

Gross financial assets consist of ALSTOM Holdings' shares, amounting to €9,216 million, and advances to ALSTOM Holdings amounting to €3,149 million, including €5 million of accrued interests.

For the 31 March 2008 accounts, the Group requested a third party valuer to provide an independent report as part of ALSTOM's share valuation process.

The valuation was determined primarily following the discounted cash flow methodology which captured the potential of the assets base to generate future profits and cash flows. It was based on the following factors:

- the Group's internal three-year Business Plan prepared as part of its annual budget exercise at sector level and reviewed by external experts;
- the extrapolation of the three-year Business Plan to 10 years; and
- the Group's Weighted Average Cost of Capital, post-tax, of 9% and 10% reflecting the different risks profiles of each sector of the Group.

The valuation was also determined taking into account the consolidated financial debt and other assets and liabilities that were not recognized through the above discounted cash flows.

The recoverable amount of ALSTOM Holding shares, as measured through this valuation, is higher than the book value. Consequently, no impairment loss has been recognised.

At 31 March (in € million)	2007	Impairment	Other movements	2008
ALSTOM Holdings shares				
Gross value	9,216			9,216
Impairment				-
Net value	**9,216**			**9,216**
Advances to ALSTOM Holdings				
Gross value	3,865		(716)	3,149
Impairment	-			-
Net value	**3,865**	-	**(716)**	**3,149**

NOTE 8. RECEIVABLES

Current receivables are broken down as follows:

At 31 March (in € million)	2008	Related parties
Current-account with ALSTOM Holdings	10	10
Receivables due from members of the tax grouping	1	1
Receivables on "Research tax credit" from the French State	40	
Other receivables	2	
Total	**53**	**11**

The portion of the receivables due beyond one year is €34 million.

NOTE 9. DEFERRED CHARGES AND PREPAID EXPENSES

At 31 March (in € million)	2007	Amount capitalised during the period	Amortisation expense of the period	2008
Deferred charges				
Transactions costs and premiums related to:				
- bonds and borrowings	28		(17)	11
- bonds reimbursable with shares	1			
Total	**29**	**-**	**(17)**	**11**

At 31 March (in € million)	2007	2008
Prepaid expenses		
Insurance	2	2
Other	2	2
Total	**4**	**4**

NOTE 10. SHAREHOLDERS' EQUITY

SHARE CAPITAL

At 31 March 2008, ALSTOM's share capital amounted to €1,982,429,778 based on 141,602,127 shares of the same class with a nominal value of €14.0 per share and fully paid. The variations of share capital during the period are due to:

- the reimbursement in shares of 21,869,955 bonds redeemable in shares ("ORA"), which resulted in 686,744 shares of €14.0 par value each being issued;
- the exercise of options which resulted in 1,691,362 shares of €14.0 par value each being issued; and
- subscription under employee sharing program, which resulted in 606,820 shares of €14.0 par value each being issued.

	Number	Par value
Existing shares at beginning of year	**138,617,201**	**€14**
Shares issued		
- Reimbursement of bonds	686,744	€14
- Exercise of options	1,691,362	€14
- Subscription of shares under employee sharing program	606,820	€14
Existing shares at year end	**141,602,127**	**€14**

At 31 March 2007, ALSTOM's share capital amounted to €1,940,640,814 with 138,617,201 shares of the same class and fully paid of €14 par value each.

CHANGES IN SHAREHOLDERS' EQUITY

At 31 March (in € million)	2007	Shareholders' meeting held 26 June 2007	Other movements	2008
Capital	1,941		41	1,982
Capital surplus	280		90	370
Legal reserves	193	1		194
Restricted reserve	9		2	11
General reserves	5,491	2,000	(2)	7,489
Retained earnings	673	589		1,262
Net profit	2,701	(2,701)	180	180
Net equity	**11,288**	**(111)**	**311**	**11,488**

Following the decision of ALSTOM's ordinary shareholders' meeting held on 26 June 2007, a €0.80 dividend per share was distributed, representing a total amount of €111 million (no dividend was distributed in the fiscal years ending 31 March 2006 and 31 March 2005).

Other movements include:
- the €131 million equity increase, net of transaction costs, resulting i) from the conversion of bonds reimbursable with shares, ii) from the exercise of options, and iii) subscription of shares in the new employee stock purchase plan (€69 million);
- movements on restricted reserve related to the future capital increase linked to free shares; and
- the net profit of the period of €180 million.

NOTE 11. BONDS REIMBURSABLE WITH SHARES

643,795,472 bonds reimbursable with shares were created in December 2003 with a nominal value of €1.40 and a 2% interest rate.

Prior to the consolidation of shares completed on 3 August 2005 (with the ratio of one new share at €14 par value for each 40 former shares at €0.35), 549,487,337 bonds were converted into 549,487,337 shares with a €0.35 par value.

Between 3 August 2005 and 31 March 2008, 59,301,703 additional bonds were converted into 1,862,402 shares with a €14 par value.

Outstanding bonds reimbursable with shares at 31 March 2008 amounting to €49 million, *i.e.* the principal of the 35,006,432 outstanding bonds and their corresponding accrued interests.

NOTE 12. PROVISIONS FOR RISKS AND CHARGES

At 31 March (in € million)	2007	Additions	Applications and reversal	2008
Litigations and disputes	43	2	(3)	42
Post-employment defined benefits	1	1		2
Total	**44**	**3**	**(3)**	**44**

The provision related to post-employment benefits represents the present value at year end of the obligations arising from defined benefits granted by the Company to the Chairman and Chief Executive Officer.

The Chairman and Chief executive Officer have been benefiting from an additional retirement scheme since 1 January 2004 that also applies to other employees of the Group based in France and whose yearly base salary is above 8 times the annual threshold set by the French social security. This scheme provides a yearly pension amounting to approximately 1.2% of the portion of salary that exceeds this threshold capped at €2 million. Since 1 January 2008, this cap is re-assessed on a yearly basis in accordance with the reference salary defined by the AGIRC. This pension scheme is composed of a defined contribution plan and a defined benefit plan.

The legal retirement indemnity is also granted to the Chairman and Chief Executive Officer.

The contributions paid according to the defined contribution plan amounted to €20,772 for the 2007/08 fiscal year. The provision created for the defined contribution plan and for the legal retirement indemnity totals €1,653,808, as at 31 March 2008.

NOTE 13. FINANCIAL DEBT

A. BONDS

The principal amount on bonds was subjected to the following variations over the past two years:

		Redemption date			
(Nominal value in € million)	Total	26 July 2006	28 July 2008	13 March 2009	3 March 2010
Outstanding amount at 31 March 2006	**2,226**	**226**	**400**	**600**	**1,000**
Bonds reimbursed at maturity date	(226)	(226)	-	-	-
Bonds bought back and cancelled	(300)	-	(30)	(70)	(200)
Outstanding amount at 31 March 2007	**1,700**	**-**	**370**	**530**	**800**
Bonds bought back and cancelled	(866)	-	(121)	(369)	(376)
Outstanding amount at 31 March 2008	**834**	**-**	**249**	**161**	**424**

The following nominal interest rates are applied to the bonds outstanding at 31 March 2008:
- bonds redeemable on 28 July 2008: Euribor 3M + 0.85%;
- bonds redeemable on 13 March 2009: Euribor 3M + 2.20%;
- bonds redeemable on 3 March 2010: 6.25%.

Accrued interests at 31 March 2008, *i.e.* €6 million, are posted in addition to the outstanding principal amount in the balance-sheet.

B. FINANCIAL COVENANTS

At 31 March 2008, a €1,000 million revolving credit facility maturing in March 2012 and extended for €942 million up to March 2013 with an option to further extend it up to March 2014, remains undrawn. This facility is subject to the following financial covenants, based on consolidated statements:

Covenants	Minimum interests (a)	Maximum total debt (b)	Maximum total net debt leverage (c)
From March 2008 to September 2013	3	5,000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense, (excluding interests related to obligations under finance lease). The interest cover at 31 March 2008 stands at 36.6 (17.7 at 31 March 2007).

(b) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. Total debt amounts to €1,240 million at 31 March 2008.

(c) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as at 31 March 2008 is (0.7) (0 at 31 March 2007).

NOTE 14. MATURITY OF LIABILITIES

At 31 March (in € million)	2008	Within one year	One to five years	More than five years
Financial debt				
Bonds	840	255	585	-
Borrowings	-	-		-
Trade payables	**12**	**12**		-
Tax and social security payables	**2**	**2**		-
Other payables	**1**	**1**		-
Total	**855**	**270**	**585**	-

NOTE 15. ACCRUED EXPENSES

The amount of accrued expenses included in the various liability accounts is detailed in the following table:

(in € million)	At 31 March 2008
Bonds	6
Trade payable	6
Tax and social security payables	2
Total	**14**

NOTE 16. OTHER INFORMATION

A. COMMITMENTS

The total outstanding guarantees given by ALSTOM amounted to €493 million at 31 March 2008 with €428 million as Parent guarantees of which:

- U.S.$ 30 million as lease guarantees; and
- €409 million on Transport contracts.

B. FINANCIAL INSTRUMENTS

Two interest rate swaps of €100 million each, shifting from fixed to floating rate, were undertaken with banks at the end of March 2006.

Simultaneously, two interest rate swaps of €100 million each, shifting from floating to fixed rate, were undertaken with ALSTOM Holdings.

Those four swaps were cancelled during the year ending 31 March 2008.

C. STOCK OPTIONS

	Plan # 3	Plan # 5	Plan # 6	Plan # 7	Plan # 8	Plan # 9	Plan # 10
Date of shareholders meeting	24 July 2001	24 July 2001	24 July 2001	9 July 2004	9 July 2004	9 July 2004	26 June 2007
Grant date	24 July 2001	8 Jan. 2002	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
Exercise price(1)	€1,320.00	€523.60	€240.00	€17.20	€35.75	€74.66	€135.00
Adjusted exercice price(2)	€819.20	€325.20	€154.40	-	-	-	-
Beginning of exercise period	24 July 2002	8 Jan. 2003	7 Jan. 2004	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	25 Sept. 2010
Expiry date	23 July 2009	7 Jan. 2010	6 Jan. 2011	16 Sept. 2014	26 Sept. 2015	26 Sept. 2016	24 Sept. 2017
Number of beneficiaries	1,703	1,653	5	1,007	1,030	1,053	1,196
Number of options initially granted	105,000	105,000	30,500	2,783,000	1,401,500	1,683,750	848,600
Adjusted number of options granted(2)	164,490	166,695	47,414	-	-	-	-
Number of options exercised since the origin	-	-	-	(1,632,362)	(33,500)	(27,500)	-
Number of options cancelled	(83,147)	(83,925)	(7,773)	(233,000)	(59,000)	(42,500)	(1,900)
Adjusted number of outstanding options at 31 March 2008(2)	81,343	82,770	39,641	917,638	1,309,000	1,613,750	846,700
Number of performance shares that may be delivered	-	-	-	-	-	-	126,000
Number of shares that may be subscribed by the present members of the Executive Committee	2,016	2,739	38,863	79,500	232,500	292,500	167,500
Number of performance shares that may be delivered to the present members of the Executive Committee	-	-	-	-	-	-	6,000

(1) The exercise price, restated following the consolidation of shares, corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge).

(2) Plans 3, 5 and 6 have been adjusted in compliance with French law as a result of the completion of operations that impacted the share capital in 2002, 2003 and August 2004.

Stock option plans 3 to 6, granted between 2001 and 2003, gradually vested by one third a year during the first three years following the grant. Stock option plans 7, 8, 9 and 10, granted between 2004 and 2007, become vested after a period of three years. The exercise period then covers seven years for each plan.

Plan 7 was subject to the following granting conditions: 50% of options granted to each beneficiary were subject to exercise conditions relating to the Group's free cash flow and operating margin for fiscal year 2006. Those conditional options may be exercised only if, at the closing of fiscal year ended 31 March 2006, the Group's free cash flow is positive and the Group's operating margin is superior or equal to 5%. At 31 March 2006, these conditions were fulfilled.

In plan 9, the total number of options (1,683,750 options) was exercisable only if the 2007/08 Group's operating margin was above 7.5%. At 31 March 2008 this condition was fulfilled.

On 25 September 2007, the Board of Directors decided to implement a long-term incentive plan ("LTI Plan") comprised of a new conditional stock option plan (Plan 10) and of a free attribution of performance shares. The exercise of the conditional stock options and the final delivery of the free performance shares will be allowed after the vesting/acquisition period subject to Group's performance conditions described below. The conditional options are not exercisable during a three-year period. The acquisition period of the performance shares will end two years after the grant date in France (followed by a two-year retention period) and four years after the grant date in other countries.

The total number of options exercisable and of performance shares to be delivered will depend on the Group's operating margin for the financial year 2009/2010:

- if the 2009/10 Group's operating margin is above 8.5%, 848,600 options will be exercisable and 126,000 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 8% and 8.5%, 678,880 options will be exercisable and 100,800 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 7.5% and 8%, 339,440 options will be exercisable and 50,400 performance shares will be delivered;
- if the 2009/10 Group's operating margin is below 7.5%, no option will be exercisable and no performance share will be delivered.

Movements in stock option plans and performance share plan

	Number of options	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2006	**4,369,943**	**55.17**	**-**
Granted	1,683,750	74.66	-
Exercised	(1,500)	23.38	-
Cancelled	(78,358)	94.83	-
Outstanding at 31 March 2007	**5,973,835**	**60.15**	**-**
Granted	848,600	135,00	126,000
Exercised	(1,691,362)	18.49	-
Cancelled	(240,231)	189.74	(2,620)
Outstanding at 31 March 2008	**4,890,842**	**81.18**	**123,380**

As at 31 March 2008:

- 4,890,842 stock options are outstanding, of which 1,121,392 are exercisable (281,585 at 31 March 2007);
- 123,380 performance shares are outstanding, of which none are yet exercisable.

D. FREE SHARE PLANS RESERVED FOR GROUP EMPLOYEES

	2006 Plan	ALSTOM Sharing 2007 Plan
Date of shareholders' meeting	12 July 2005	26 June 2007
Initial number of rights entitling their holders to an allocation of shares	558,120	51,336
Number of remaining rights as of 31 March 2008 entitling their holders to an allocation of shares(1)	522,036	51,336

(1) According to the lasted estimation.

E. OTHER INFORMATION

Unless in the event of grave misconduct of Mr Patrick Kron, in the event of termination of his mandate as Chairman and Chief Executive Officer at ALSTOM's initiative as well as in case he decides to resign further to a takeover of ALSTOM by a third party, according to the terms of his mandate, he benefits from an indemnity equal to twice his latest gross annual global remuneration (fixed and variable parts of his remuneration).

This commitment, which was initially authorised by the Board of Directors on 26 June 2007, was amended with the approval of the Board on 6 May 2008 such that, pursuant to the application of the provisions of Article L. 225-42-1 of the French Commercial Code, the payment of this indemnity is rendered subject to the condition that, over the three-year period preceding the date of the Chairman and Chairman and Chief Executive Officer's dismissal or resignation, the performance of the ALSTOM share on the stock exchange is higher than first quartile of the performance of the shares comprising the CAC Industrials index calculated by Euronext Paris. The payment of the indemnity shall be subject to the prior acknowledgment by the Board of Directors that the performance condition is met.

F. LIST OF SUBSIDIARIES

ALSTOM Holdings is the only subsidiary of ALSTOM. ALSTOM holds a 100% stake in ALSTOM Holdings.

Information on ALSTOM Holdings

Gross value of investments held by ALSTOM	€9.2 billion
Net value of investments held by ALSTOM	€9.2 billion
Gross value of loans and advances granted by ALSTOM	€3.1 billion
Net value of loans and advances granted by ALSTOM	€3.1 billion
Bonds and guarantees granted by ALSTOM outstanding at 31 March 2008	€0
Dividends received by ALSTOM during financial year ended 31 March 2008	€0
ALSTOM Holdings shareholders' equity as of 31 March 2007	€1.7 billion
ALSTOM Holdings shareholders' equity as of 31 March 2008	€3.7 billion

NOTE 17. SUBSEQUENT EVENTS

No subsequent event is reported.

Five-year summary

Information as per Article L. 232-1 of the French Commercial Code.

	31 March 2004	31 March 2005	31 March 2006	31 March 2007	**31 March 2008**
1.Share capital at year end					
a) Share capital (in € thousands)	1,320,822	1,924,024	1,934,391	1,940,641	1,982,430
b) Number of outstanding issued shares	1,056,657,572	5,497,211,409	138,170,776	138,617,201	141,602,127
2. Operations and income for the year (in € million)					
a) Dividends received	-	-	-	-	-
b) Income before tax, amortisation expense, variations of provisions and recognition or reversal of impairment losses	70	90	78	92	128
c) Income tax	37	(10)	36	29	72
d) Net income after tax, amortisation expense, variations of provisions and recognition or reversal of impairment losses	(1,341)	83	6,398	2,701	180
e) Dividends	-	-	-	111	227
3. Earnings per share (in €)					
a) Net earning after tax, but before amortisation expense, variations of provisions and recognition or reversal of impairment losses	0.10	0.02	0.82	0.88	1.42
b) Net earning after tax, amortisation expense, variations of provisions and recognition or reversal of impairment losses	(1.27)	0.02	46.10	19.49	1.27
c) Net dividend per share	-	-	-	0.80	1.60
4.Personnel					
a) Average headcount of the year	1	1	1	1	1
b) Amount of gross wages and salaries for the year (in € thousand)	661	1,143	1,251	2,228	2,391
c) Amount of social charges for the year (Social security and other welfare benefits) (in € thousand)	198	421	357	540	579

Appropriation of the net income of fiscal year 2007/08

Information as per Article 243-bis of the French Tax Code.

It will be proposed to next shareholders' meeting the following appropriation of the net income for the fiscal year ended 31 March 2008 which amounts to €179,967,453.69:

Income for the financial year	€179,967,453.69
Amount previously carried forward	€1,262,405 592.23
Allocation to the legal reserve	€4,178,896.40
Ditributable income	€1,438,194 149.52
Dividend paid*	€226,563,403.20
Balance carried forward	€1,211,630 746.32

* Dividends of €1.60 paid to 141,602,127 shares comprising the share capital.

As a result, it will be proposed to distribute a dividend of €1.60 per share eligible to dividend in respect of such fiscal year 2007/08.

This dividend gives right to an allowance of 40% for individuals domiciled in France for tax purpose in compliance with conditions set forth under Article 158 paragraph 3 sub-paragraph 2 of the French General Tax Code.

The dividend would be paid in cash from 1 July 2008. Should the Company hold any of its own shares at such date, the amount of the dividend pertaining to such shares would be carried forward. Each non-consolidated share of €0.35 par value outstanding at the date of payment will receive 1/40th of this dividend.

The shareholders' meeting duly notes that, in accordance with the law, a dividend of €0.80 per share, eligible for the 40% tax reduction referred to in Article 158-3-2°of the French General Tax Code, was distributed with respect to the 2006/07 fiscal year and that no dividend had been distributed with respect to the 2005/06 and 2004/05 fiscal years.

Comments on ALSTOM's statutory accounts

Information as per Article L. 225-100 of the French Commercial Code.

ALSTOM is the holding company of the ALSTOM Group. ALSTOM's investments consist exclusively of the shares of ALSTOM Holdings.

ALSTOM centralises a large part of the external financing of the Group and directs the funds to its subsidiary ALSTOM Holdings through loans and a current account. Fees from its indirect subsidiaries for the use of the ALSTOM name are ALSTOM's main other source of revenue.

INCOME STATEMENT

ALSTOM's net profit amounted to €180 million and mainly comprised:

- operating result of €59 million made of ALSTOM's name fees *minus* administrative costs and other operating expenses;
- financial profit of €50 million; and
- income tax profit of €72 million including a tax group profit of €75 million.

BALANCE SHEET

The balance sheet amounts to a total of €12,436 million, the main elements of which are as follows:

- assets:
  - the ALSTOM Holdings' investments gross value totalling €9,216 million, and
  - advances to ALSTOM Holdings amounting to €3,159 million;
- liabilities:
  - a financial debt of €840 million including three bonds of €424 million, €249 million and €161 million, and
  - bonds reimbursable with shares of €49 million.

The net equity amounts to €11,488 million and is made of:

- €1,982 million in capital and €370 million in shares premiums;
- €7,694 million in reserves;
- €1,262 million in retained earnings; and
- the result of this financial year amounting to €180 million.

Independent Auditors' report on statutory financial statements

(This is a free translation into English of the Independent Auditors' report on the statutory financial statements signed and issued in the French language and is provided solely for the convenience of English-speaking readers. Accounting principles and auditing standards and their application in practice vary from one country to another. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices followed by the Independent Auditors in France with respect to such financial statements included in a prospectus may differ from those generally accepted and applied by Independent Auditors in other countries. Accordingly, the French financial statements and the Independent Auditors' report, of which a translation is presented in this document for convenience only, are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice.
The Independent Auditors' report includes for the information of the reader, as required under French law in any Independent Auditor's report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the Independent Auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the statutory financial statements taken as a whole and not to provide separate assurance on individual account caption or on information taken outside of the statutory financial statements.
Such report should be read in conjunction and construed in accordance with French law and French auditing professional standards.)

Year ended 31 March 2008

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2008, on:
- the audit of the accompanying annual financial statements of ALSTOM;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at 31 March 2008 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Commercial Code relating to the justification of our assessments, we hereby inform you that our assessments covered the appropriateness of the accounting policies applied in addition to the reasonableness of the material estimates used, particularly regarding the valuation of investments and related advances.

As indicated in the notes to the financial statements, the valuation of investments and related advances can lead to the recognition of a provision, when the current use value, determined through a number of valuation methods, is lower than the book value (Note 2.A – "Summary of accounting policies" – "Investments and advances").

We have examined and carried out an assessment of the reasonableness of the assumptions and the methodology used to perform the impairment test as described in Note 7 – "Financial assets" and the report prepared by a third party valuer and used by the Company to assess the enterprise value of the ALSTOM group, as well as the current use value of investments and related accounts held by ALSTOM Holdings, since ALSTOM Holdings holds directly or indirectly all the subsidiaries within the Group. In addition, we have compared the data used by the valuer with forecasts prepared by ALSTOM.

The assessments were thus made in the context of the performance of our audit of the financial statements of ALSTOM as at 31 March 2008, taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding:
- the fair presentation and the conformity with the financial statements of the information given in the Management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the Management report in respect of remuneration and benefits granted to the relevant Company officers and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning acquisitions of equity interests and controlling interests and the identity of the principal shareholders has been properly disclosed in the Management report.

Neuilly-sur-Seine, 7 May 2008

The Independent Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG ET AUTRES
Dominique Descours	Gilles Puissochet

Independent Auditors' special report on regulated related-party agreements and commitments

(This is a free translation into English of the Independent Auditors' special report on regulated related-party agreements and commitments that is issued in the French language and is provided solely for the convenience of English-speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.)

Year ended 31 March 2008

To the Shareholders,

In our capacity as Independent Auditors of your Company, we hereby report to you on regulated related-party agreements and commitments.

In accordance with Article L. 225-40 of the French Commercial Code, we have been advised of the agreements and commitments that were authorised by your Board of Directors until 6 May 2008.

The terms of our engagement do not require us to identify such other agreements, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France. These standards require that we agree the information provided to us with the relevant source documents.

WITH PATRICK KRON

Director concerned: Patrick Kron, Chairman and Chief Executive Officer.

Nature and purpose: Commitments in the event of termination of the term of office of Mr. Patrick Kron at the Company's initiative or at his initiative following a change in control

Conditions

On 26 June 2007, the Board of Directors decided to maintain its commitments towards the Chairman and Chief Executive Officer in the event of termination of his term of office at the Company's initiative or at his initiative following a change in control, including the payment of a termination indemnity.

On 6 May 2008, the Board of Directors then amended the terms of this termination indemnity, so as to comply with the provisions of Article L. 225-42-1 of the French Commercial Code, as amended by law 2007-1223 of 21 August 2007, which subject the payment of such an indemnity to performance conditions.

In the event of termination of the Chairman and Chief Executive Officer's term of office at the initiative of ALSTOM, unless for reasons of grave misconduct of Mr. Patrick Kron, or should the Chairman and Chief Executive Officer decide at his initiative to resign from his duties in the event of a takeover of ALSTOM by a third party, the Chairman and Chief Executive Officer shall be entitled to an indemnity equal to twice his last gross annual remuneration (fixed and variable) subject to the performance of the ALSTOM share exceeding the first quartile performance of shares in the CAC Industrials Index calculated by Euronext Paris over a period of three years preceding the date of the Chairman and Chief Executive Officer's removal or resignation.

This comparison will be based on the closing Share price on the Euronext Paris Index, or any stock market in lieu thereof, and the Index values on the opening and closing dates of the three-year period.

Nature and purpose: Stock options and free shares

Conditions

In the event of termination of the Chairman and Chief Executive Officer's term of office at the initiative of ALSTOM, unless for reasons of grave misconduct of Mr. Patrick Kron, or should the Chairman and Chief Executive Officer decide at his initiative to resign from his duties in the event of a takeover of ALSTOM by a third party, the Chairman and Chief Executive Officer shall be entitled to the vesting of any options allotted at the end of his office, it being specified that these options may be exercised under the terms and conditions provided in each option plan concerned. He shall also retain entitlement to the vesting of any free shares allotted and not yet delivered at the end of his office, under the terms and conditions initially stipulated for the settlement of each free share allotment plan concerned.

Nature and purpose: Supplemental retirement scheme

Conditions

The Chairman and Chief Executive Officer is also entitled to a supplemental retirement scheme, set up on 1 January 2004 for Group employees in France whose basic annual remuneration exceeds eight times the French social security ceiling, which provides approximately, per year of service, a pension equivalent to 1.2% of the bracket of salary above eight times this ceiling, capped at €2 million. Since 1 January 2008, this capping is annually updated based on the evolution of base salary used for supplemental retirement AGIRC. The scheme is a compound of a defined contribution plan and a defined benefit plan.

The contributions paid to the Chairman and the Chief Executive Officer by ALSTOM regarding the defined contribution plan for fiscal year 2007/08 amounted to €20,772. With respect to the defined benefit plan, the payments assumed by ALSTOM at 31 March 2008 amounted to €1,653,808, including statutory retirement termination benefits.

Furthermore, pursuant to the French Commercial Code, we have been informed that the performance of the following agreements and commitments, approved in previous fiscal years, continued during the year.

WITH BOUYGUES

Director concerned: Georges Chodron de Courcel

Nature and purpose: Agreement for industrial, commercial and financial cooperation

Conditions

ALSTOM and Bouygues signed an agreement for industrial, commercial and financial cooperation on 26 April 2006.

The purpose of this agreement is to develop cooperation between the commercial networks of the two groups and, where possible, to realise integrated projects combining the civil engineering activities of the Bouygues group with the equipment activities of the ALSTOM group.

This agreement also comprises a project for the creation of a parity joint company having the activity of hydraulic electricity production that was the subject of an agreement signed on 29 September 2006 between Bouygues, ALSTOM Holdings, ALSTOM Power Centrales, and ALSTOM Hydro Holding.

Neuilly-sur-Seine, 7 May 2008

The Independent Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG ET AUTRES
Dominique Descours	Gilles Puissochet

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Risks

The section below presents the main risks and risk factors faced by the Group. This section is a part of "Group activity", which constitutes the Board of Director's report on the Group's management.

Since fiscal year 2006/07, a risk assessment process is completed annually to identify Group risks including those specific to each Sector, to evaluate the likelihood and potential impact of such risks and to improve risk monitoring, in particular through action plans specific to each identified risk. This assessment process, which results in a cartography of risks, is presented in section "Corporate governance – Chairman's report pursuant to article L. 225-37 of the French Commercial code – Internal control procedures".

RISK FACTORS

Risks in relation to market environment

Our markets are driven by a number of complex and inter-related factors.

Long term evolution of our markets is driven by a variety of factors, in particular the economic growth. Our markets are also influenced by public policies, notably on environment and public transportation, as well as by the price and the availability of the different sources of fuels. Key factors impacting our activities are presented in sections "Group activity – Sector review – Power Sectors – Industry characteristic" and "Group activity – Sector review – Transport Sector – Industry characteristic". Any adverse change in any of these drivers may adversely impact long term trends of our markets and consequently of our activities and results.

We operate in competitive markets.

We face strong competition in our markets, both from large international competitors and local players. This competition may result in a pressure on selling prices and payment terms. As a consequence, we have adopted several costs reduction and innovation programmes. Although we believe we compete effectively in most of our major markets, there can be no assurance that we will be able to continue to do so.

Risks in relation to contract execution

Our financial performance could be adversely impacted by a limited number of long-term contracts and various factors affecting contract execution, some of which are beyond our control.

Each year, approximately one-third of our business is conducted under a limited number of major long-term contracts. At 31 March 2008, our ten largest projects in terms of order backlog represented approximately 22% of our total order backlog and our ten largest customers accounted for approximately 18% of our sales. Generally, the revenue, cash flow and profitability of a project may vary significantly in accordance with the progress of that project and depending on a variety of factors, some of which are beyond our control, such as unanticipated technical problems with equipment being supplied, postponement or delays in contract implementation, financial difficulties of customers, withholding of payment by customers, performance defaults by or financial difficulties of suppliers, subcontractors or consortium partners with whom we are jointly liable, and unanticipated costs due to project modifications. Profit margins realised on certain of our contracts may vary from our original estimates as a result of changes in costs and productivity over their term. As a result of this variability, the profitability of certain of our contracts may significantly impact our income and cash flows in any given period.

While we have established risk control procedures for tenders and contracts in progress, we can give no assurance that these and other initiatives will be sufficient to avoid problems in the future, and certain of our projects may be subject to delays, cost overruns, or performance shortfalls which may lead to the payment of penalties or damages. There can be no assurance that we can profitably complete our fixed price contracts.

Changes in the cost of and conditions of our access to raw materials and certain manufactured goods can affect our operating margins.

In the course of our business, we use raw materials and manufactured goods in amounts which vary according to the project and which may represent up to one third of the contract price. Given the significant increases in overall prices of raw materials as well as difficulties and delays in the delivery of certain manufactured goods, we cannot ensure that these cost increases and/or late deliveries will necessarily be absorbed by increases in contract prices ensuring the profitability of our contracts. These factors could create a negative pressure on margins and adversely affect our results and financial position.

If we are unable to manage our working capital effectively, or if we apply existing provisions more quickly than expected, our cash flow may vary greatly.

The structure of our projects may result in payment of expenses before realisation of revenue. As a result, the structure of customer deposits and advances is particularly important in our long-term project activity. Taking customer advances serves in part to provide us with working capital to finance the execution of our projects. For more information regarding customer deposits and advances, (see Notes 17 and 18 to the consolidated financial statements for the fiscal year ended 31 March 2008). Our ability to negotiate and collect customer advances is therefore an important element of our strategy, as it provides us with cash flow and allows us to manage our working capital. If we are not successful, significantly increased cash flow variations may require us to materially increase our debt.

Risks in relation to technologies

Our products incorporate advanced and complex technologies and sometimes require modifications after they have been delivered.

We design, manufacture and sell several products of large individual value that are used in major infrastructure projects. We are required to introduce new, highly sophisticated and technologically complex products on increasingly short time scales. This necessarily limits the time available for testing and increases the risk of product defects and their financial consequences. We occasionally discover the need to fine tune or modify products after we begin manufacturing them or after our customers begin operating them. Because we produce some of our products in series, we may need to make such modifications during the production cycle. At the same time, when we sell our products or enter into maintenance contracts, we may be required to accept onerous contractual penalties, in particular related to performance, availability and delay in delivering our products, as well as after-sales warranties. Our contracts may also include clauses allowing the customer to terminate the contract or return the product if performance specifications or delivery schedules are not met. As a result of these contractual provisions and the time needed for the development, design and manufacturing of new products, problems encountered with our products may result in material unanticipated expenditures, including without limitation additional costs related to securing replacement parts and raw materials, delays and cost overruns in manufacturing, delivering and implementing modified products and the related negotiations or litigation with affected clients. For example, we have encountered in the past significant difficulties in the introduction of our GT24™/GT26™ gas turbines.

In instances where such problems occur, we cannot ensure that the total costs that we ultimately incur will not exceed the amount that we have provisioned. Further, given the technical sophistication of many of our products, we can give no assurance that we will not encounter new problems or delays in spite of the technical validation processes implemented within the Group. Any such problems or delays could cause our products to be less competitive than those of our competitors and have a material adverse impact on our results and financial position.

Risks in relation to human resources

The development of our business will require recruiting a significant number of managers and specialists, which may be difficult to achieve.

There is significant competition in the employment market with respect to the highly qualified managers and specialists, which are needed by our businesses. The success of our development plans will depend in part on our ability to retain our employee base and recruit and integrate additional managers and skilled employees. We can give no assurance that we will be successful in developing our employee base as needed to accompany our business development.

Risks in relation to disposals, acquisitions and other external growth operations

Our business disposals may result in increased costs related to retained liabilities.

We have disposed of a large number of our businesses and may continue to dispose some of our businesses. As is customary, we have made and will make certain warranties regarding the businesses being sold. In some cases we have retained certain contracts and liabilities. As a result we may be required to bear increased costs on retained contracts and liabilities and to pay indemnities or purchase price adjustments to the acquirer, which could have a material adverse effect on our results and financial position. In particular, we have received claims, some of which involving significant amounts, following the disposal of our former T&D and Marine Sectors. For more information, see Note 32 to the consolidated financial statements for the fiscal year ended 31 March 2008.

Our acquisitions and external growth operations may lead us to unforeseen liabilities.

As part of our development strategy, we have completed and may continue to complete acquisitions of businesses or companies, as well as mergers and joint ventures. External growth operations include risks due to the difficulties that may arise in evaluating assets and liabilities relating to these operations, as well as in integrating people, activities, technologies and products. Although we have put in place strong processes to control these operations, no assurance exists that the acquired businesses or companies do not contain liabilities which were not anticipated at the time of the operation and for which we have no or insufficient protection from the seller or partner.

Risks in relation to financial markets

We are exposed to a variety of market risks, including currency exchange risks, interest rate risks and credit and liquidity risks, which may notably result in increased deficit of our pension plans.

Detailed information regarding our exposure to currency exchange risks, interest rate risks credit risks and liquidity risks is provided in Note 27 to the consolidated financial statements for the fiscal year ended 31 March 2008.

Pursuant to certain of our defined benefit schemes, notably in the United Kingdom and the United States, we are committed to providing cash to cover any differences between the market value of the plan's assets and required levels for such schemes over a defined period. Our projected benefit obligations are based on certain actuarial assumptions that vary from country to country, including, in particular, discount rates, long-term rates of return on invested plan assets, rates of increase in compensation levels and rates of mortality. If actual results were to differ from these assumptions our pension, retirement and other post-employment costs would be higher or lower. Our financial statements may, therefore, be unfavourably or favourably impacted by these obligations. Further details on the methodology used to assess pension assets and liabilities together with the annual pension costs are included in Note 25 to the consolidated financial statements for the fiscal year ended 31 March 2008.

CERTAIN LEGAL RISKS

Although our markets are fiercely competitive, there are at times allegations of anticompetitive activity due to a relatively small number of participants. For example, the European Commission levied a fine concerning anti-competitive arrangements among suppliers of Gas Insulated Switchgear relating to our former T&D Business. For more information, see Note 32 to the consolidated financial statements for the fiscal year ended 31 March 2008. Any adverse development of investigations or procedures relating to anti-competitive activity may have a material adverse impact on our reputation, as well as on our results and financial position due notably to the significant amount of fines that can be ordered in this area.

We conduct a significant proportion of our business with governmental agencies and public-sector entities. A small number of current and former employees and agents of the Group have been or are currently being investigated with respect to alleged illegal payments in various countries. Certain of these procedures may result in fines and the exclusion of our subsidiaries from public tenders in the relevant country for a defined period. We can give no assurance that these procedures will not have a material adverse commercial effect on the subsidiaries or the Group as a whole. In particular, investigations by Swiss and French authorities are ongoing in connection with alleged cases of corruption.

We actively strive to ensure compliance with all laws and regulations, and in particular those relating to competition rules and prohibited payments. As part of this effort, we have recently updated and widely communicated within the Group our Code of Ethics, which prescribes strict compliance with rules of conduct to prevent in particular anti-competitive activities and corruption and which recalls the role of employees and the alert procedure within the Group. During fiscal year 2007/08, we have conducted several training programmes to increase awareness of our managers towards potential risks linked to illegal activities. We generally have established internal control procedures to control the risks linked to illegal activities and we actively strive to ensure that we appropriately address any problems that may arise. However, given the extent of our activities worldwide, we cannot be assured that such difficulties will not arise or that such difficulties will not have a material adverse effect on our reputation and/or our results and financial situation position.

For more information on the internal control system put in place within the Group, see "Chairman's report – Internal control procedures".

With respect to other legal risks, see Note 32 to the consolidated financial statements for the fiscal year ended 31 March 2008.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

We are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental protection standards on us regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. These standards expose us to the risk of substantial environmental costs and liabilities, including in relation with divested assets and past activities. In most of the jurisdictions in which we operate, our industrial activities are subject to obtaining permits, licences and/or authorisations, or to prior notification. Our facilities must comply with these permits, licences or authorisations and are subject to regular inspections by competent authorities.

We invest significant amounts to ensure that we conduct our activities in order to reduce the risks of impacting the environment and regularly incur capital expenditures in connection with environmental compliance requirements. Although we are involved in the remediation of contamination of certain properties and other sites, we believe that our facilities are in compliance with their operating permits and that our operations are generally in compliance with environmental laws and regulations.

The procedures ensuring compliance with environmental, health and safety regulations are decentralised and monitored at each plant. The costs linked to environmental health and safety issues are budgeted at plant or unit level and included in the consolidated income statement. See "Environmental, Health and Safety management policy" below.

The outcome of environmental, health and safety matters cannot be predicted with certainty and there can be no assurance that we will not incur any environmental, health and safety liabilities in the future and we cannot guarantee that the amount that we have budgeted or provided for remediation and capital expenditures for environmental or health and safety related projects will be sufficient to cover the intended loss or expenditure. In addition, the discovery of new conditions or facts or future changes in environmental laws, regulations or case law may result in increased liabilities that could have a material effect on our financial condition or results of operations. We have booked provisions of €20 million to cover environmental risks.

Environmental, Health and Safety management policy

We recognise our obligation to our stakeholders, employees, customers, suppliers and the communities at large in which we operate, to provide a safe workplace and safe products, to minimise the impact of our operations on the environment and to protect our industrial and commercial assets.

To this end, we have put in place a global policy covering the management of Environment, Health and Safety risks at an individual operating unit level, to achieve a high level of performance including strict compliance of local norms and regulations. This global policy is designed and co-ordinated at corporate level and is adapted and implemented locally. We rely on independent specialists on risk analysis to carry out the annual audit programme of our manufacturing sites around the world. In addition to this, and in order to spread our EHS risk control system, we have started an internal auditors accreditation programme. Both internal and external auditors support the operating units in the creation of specific action and improvement plans. The completion of the action plan is measured and followed up through a monthly corporate reporting process. Through our programme, we seek primarily to:

- develop products and services that have an acceptable impact on the environment along the product life cycle from manufacturing through product use and at the end of their useful lives;
- evaluate the environmental impact of new industrial processes prior to their implementation as well as the discontinuation of existing processes or the disposal of existing sites;
- improve technology in order to reduce the consumption of energy and natural resources and to minimise waste and pollution; and
- promote the application of our environmental management principles to our sub-contractors and suppliers.

Additional Health and Safety Programmes are implemented at each of our operating units. Such programmes cover health and safety issues, both at the design stage of the workplace and product equipment through to their implementation and use, as well as Accident and Occupational Illness Prevention Programmes.

Our Asset and Business Interruption Management Programmes are designed to minimise exposure to loss or damage to the Group's assets and to ensure business continuity. This includes exposure to fire, breakdown and natural catastrophes as well as theft or deliberate damage.

The EHS coordination guarantees the consistency of the prevention programmes at a central level. The EHS performance indicators are gathered on a monthly basis by our reporting system covering all the Business and operational centres in view of guiding the risk management approach.

During fiscal year 2007/08, 134 EHS audits were carried out, half by our accredited internal auditors and half by external auditors. All these evaluations have been reviewed by the local Managing Directors in order to validate the suggested areas of improvement.

INSURANCE

Our policy is to purchase insurance policies covering risks of a catastrophic nature from insurers presenting excellent solvency criteria. The amount of insurance purchased varies according to our estimation of the maximum foreseeable loss, both for property damage & business interruption and liability insurance. This estimate is made within the framework of Industrial Risk Management Audits that we conduct for property damage and depends on the evaluation of the maximum legal risk considering the various activities of our Group for our civil liability. The annual risks assessment process which results in a cartography of risks, has allowed us to confirm that the appropriate level of insurance was purchased for insurable risks.

The main risks covered by our main insurance policies are the following:

- property damage and business interruption caused by fire, explosion, natural events or other named perils as well as machinery breakdown;
- liability incurred because of damage caused to third parties by our operations, products and services, with customary exclusions and limits;
- transit, covering transportation risks from start to discharge of goods at warehouse, construction site or final destination, with customary limits and exclusions; and
- construction and installation, covering risks during execution of contracts, subject to certain customary conditions and declarations.

In addition to Group policies, we purchase, in the various countries where we are present, policies of insurance of a mandatory nature or designed to cover specific risks such as automobile, worker's compensation or employer's liability.

Our main Group insurance policies are described in below. This presentation is a summary of the policies in effect as of 31 March 2008, and does not reflect all restrictions and limits applicable to our policies. The scope and terms of our policies are determined on an annual basis. For reasons of confidentiality and protection of the interests of the Group, it is not possible to describe exhaustively all policies.

Property damage and business interruption

The insurance programme covers accidental damage and consequent business interruption caused by fire, explosions, smoke, impact of vehicles and aircraft, storm, hail, snow, riot, civil commotion, water damage and natural events to industrial, commercial and administrative sites of the Group named in the policies:

- the programme has an overall limit of €410 million per event;
- sub-limits apply in particular for natural events (these sub-limits vary according to the insured sites and the type of events) for machinery breakdown and accidental events other than those named in the policy;
- coverage is subject to usual limitations and exclusions, in particular: war, civil war, terrorism, nuclear reaction, and certain natural events normally insured in national pools.

Civil liability resulting from operations or products and services

The Group Insurance Programme covers the financial consequences of liability of the Group because of damages caused to third parties because of our operations or products and services:

- the programme has several layers of insurance for an overall limit of €600 million per event and in annual aggregate. Sub-limits are applicable;
- the policy is subject to usual limitations and exclusions of policies of this type, in particular, war, nuclear reactions, work accidents, Directors and Officers liability, automobile liability, consequences of contractual obligations more onerous than trade practice, as well as damages caused by products such as asbestos, formaldehyde, lead, organic pollutants as well as those caused by toxic mould, magnetic fields and electronic viruses.

Transport insurance

The policy covers damages to transported goods irrespective of the mode of transportation: sea, land or air, anywhere in the world; coverage is extended to war risks (however, some territories are excluded):

- the policy limit is €70 million; sub-limits are applicable notably during storage at packers or sub-contractors;
- the policy is subject to limitations and exclusions generally applicable to policies of this type.

Damage during installation and construction

A construction and installation policy covers damage to equipment being installed for contracts of the Power System and Power Service Sectors having values of less than €500 million and for which the duration of works is less than 48 months. For the Transport Sector, a policy with a limit of €100 million is in place to cover contracts of the French Units. Contracts which cannot be insured under these policies are insured specifically according to the needs. Construction and Installation policies are subject to customary limitations and exclusions, in particular war, radioactive contamination and terrorism.

The Group owns a reinsurance vehicle to self-insure property damage and business interruption, civil liability and transportation risks. This vehicle has not been used since calendar year 2004. A new reinsurance vehicule has been opened to self-insure a primary layer of €2 million of the construction and installation risk policy of the Power Systems and Power Service Sectors. The maximum commitment of this vehicule is €10 million per year.

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The Company is implementing the fundamental principles of Corporate governance provided in the report published in October 2003 (the "AFEP/MEDEF Report"), which consolidated the recommendations of the Viénot report (issued in 1995 and 1999) and Bouton report (issued in 2002).

The procedures of the Board of Directors and the two Board Committees created in 1998 (the Audit Committee and the Nominations and Remuneration Committee) follow most of the recommendations of the AFEP/MEDEF Report. Annexed to the Internal Rules and Regulations of the Board is the Director's Charter, which defines the Directors' rights and obligations. These Internal Rules and Regulations are updated following the annual evaluations of the functioning of the Board and the Board Committees, and to take into consideration the changes in the regulatory framework.

The Company has been operating, since the time of its flotation in accordance with a code of conduct on insider information designed to prevent insider trading which defines the situations in which certain individuals must refrain from carrying out transactions involving the Company's shares. This code, updated in October 2006, applies to the Directors, officers and employees of the Group.

For several years now, the Company has operated under a Code of Ethics, which applies to every ALSTOM Director, officer and employee worldwide. This Code which includes ALSTOM's essential rules of ethics, is designed to promote ethical conduct; every Director, officer and employee of the Company is expected to know the Code of Ethics and comply with it. This Code together with the Group's values are widely communicated within the Group.

In 2003, a "Disclosure Committee" *(Comité de l'information)* was created on the initiative of the Chairman and Chief Executive Officer and the Chief Financial Officer. The members of this Committee, which is not a Board Committee, consist of top Company executives and a representative of each Group Sector. Its general role is to review the content of the Company's financial information documents before they are disclosed to the shareholders and the markets, and to ensure that controls and other procedures are in place to allow financial information to be recorded and reported on a timely basis so that adequate and appropriate information is collected and communicated to the Chairman and Chief Executive Officer, the Chief Financial Officer and other Management members, to ensure the reliability of the Group financial information. The Internal Rules and Regulations of this Committee were ratified by the Audit Committee and, pursuant to these Internal Rules and Regulations, similar Committees have been set up in each Group Sector.

The Internal Rules and Regulations of the Board of Directors and its Committees, the Director's Charter and the Code of Ethics are available on the ALSTOM Internet site (www.alstom.com – About us).

The Board of Directors **and its Committees**

THE BOARD OF DIRECTORS

The Board of Directors is composed of twelve members, of whom four are non-French nationals and seven are independent. Since 2002, the Directors are appointed for a four-year period.

Pursuant to the Board's internal rules, each Director shall hold at least 250 shares.

As of 6 May 2008, 194,006 shares were held by the individual Directors altogether and 42,487,349 shares were held by Bouygues SA.

Composition as of 6 May 2008

PATRICK KRON

Chairman and Chief Executive Officer.
54 years.
Nationality: French.
Professional address:
ALSTOM – 3, avenue André-Malraux – 92300 Levallois-Perret (France).

End of mandate: AGM 2011.
First mandate: 2001 – 2007.

Holds 187,647 ALSTOM shares and 149 through ALSTOM FCPE.

Other current directorships and positions:

In France:
Director of Bouygues;
Director of the choral Society "Les Arts Florissants".

In foreign countries:
Within the ALSTOM Group:
Director of ALSTOM UK Holdings Ltd and of ALSTOM Ltd.

Past directorships (held during the past-five years):

Chief Executive Officer of Imerys (7 May 1998 – 31 December 2002);
Member of the Supervisory Board of Imerys (5 May 2003 – 3 May 2005);
Director of Imerys (3 May 2005 – 2 May 2006);
Member of the Supervisory Board of Vivendi Universal
(28 April 2005 – 13 December 2006).

Biography:

Mr Patrick Kron is a graduate of École Polytechnique and the Paris École des Mines. He started his career in the French Ministry of Industry where he served from 1979 to 1984 before joining the Péchiney Group. From 1984 to 1988, Patrick Kron held operational responsibilities in one of the Group's most important factories in Greece, becoming manager of this Greek subsidiary. From 1988 to 1993, he occupied several senior operational and financial positions within Péchiney, first managing a group of activities in the processing of aluminium and then as President of the Electrometallurgy Division. In 1993, he became a member of the Executive Committee of the Péchiney Group and was appointed Chairman of the Board of the Carbone Lorraine Company from 1993 to 1997. From 1995 to 1997, he ran the Food and Health Care Packaging Sector of Péchiney and held the position of Chief Operating Officer of the American National Can Company in Chicago (USA). From 1998 to 2002, Patrick Kron was Chief Executive Officer of Imerys before joining ALSTOM. He has been Chief Executive Officer of ALSTOM since 1 January 2003 and Chairman and Chief Executive Officer since 11 March 2003. Mr Patrick Kron was awarded the *"Légion d'honneur"* on 30 September 2004 and is officer of National Order of Merit since 18 November 2007.

JEAN-PAUL BÉCHAT

65 years.
Nationality: French.
Professional address:
ARSCO – 91, rue du Faubourg-Saint-Honoré – 75008 Paris (France).

End of Mandate: AGM 2008.
First mandate: 14 May 2001 – 9 July 2004.

Independent Director.
Chairman of the Audit Committee.

Holds 1,450 shares.

Other current directorships and positions:

In France:
Director of Sogepa.
Member of the Board and Office of GIFAS;
Member of the Board and Office of UIMM;
Member of the MEDEF's Executive Committee.

In foreign countries:
–

Past directorships and positions (held during the past-five years):

In France:

Chief Executive Officer of Safran (11 May 2005 – 2 September 2007);
Chief Executive Officer of Sagem (18 March 2005 – 11 May 2005);
Chairman and Chief Executive Officer of Snecma (4 June 1996 – 18 March 2005);
Director of France Telecom (22 May 1998 – 25 February 2003);
Director of Natexis Banques Populaires (18 November 1998 – 27 May 2004);
Director of Aéroports de Paris (9 July 2004 – 26 June 2005).

In foreign countries:

–

Biography:

Mr Jean-Paul Béchat is a graduate of École Polytechnique and has a Master degree in Science from Stanford University (USA). In 1965, Mr Béchat started his career at Snecma and, from June 1996 till March 2005, he was Chairman and Chief Executive Officer of the Group. Since May 2005, Mr Béchat is the honorary Chairman and member of the Board of GIFAS; he is also member of the Advisory Board of Banque de France. He is member of the Board of UIMM and member of the MEDEF's Executive Committee. He is also member of the Board of Sogepa. Mr Béchat is Honorary Fellow of the Royal Aeronautical Society, member of the *Association Aéronautique et Astronautique de France* (AAAF) and member of the International Academy of Astronautics (IAA). He is also officer of the *"Légion d'honneur"* and of the National Order of Merit.

CANDACE K. BEINECKE

61 years.
Nationality: American.
Professional address:
Hughes Hubbard & Reed LLP – One Battery Park Plaza, New York, NY 10004-1482 (United States).

Expiry of mandate: AGM 2011.
First mandate: 24 July 2001 – 26 June 2007.

Member of the Nominations and Remuneration Committee.

Holds 300 shares.

Other current directorships and positions:

In France:

–

In foreign countries:

Chair of Hughes Hubbard & Reed LLP, New York, USA since 1999;
Chairperson of the Board of Arnhold & S. Bleichroeder Advisors First Eagle Funds, Inc., a public mutual fund family;
Member, Board of Trustees, Vornado Realty Trust (NYSE);
Member, Board of Directors, Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc.

Non-profit organisations:

Director Vice-Chair and member of the Executive Committee, the Partnership for New York City;
Director, Fund for New York's Future, Inc.
Trustee, The Wallace Foundation.

Past directorships and positions (held during the past-five years):

In France:

–

In foreign countries:

–

Biography:

Ms Candace K. Beinecke, Chair of Hughes & Reed LLP, was named to her current position in 1999, the first woman to chair a major New York law firm. Ms Beinecke is also a practicing partner in Hughes Hubbard's Corporate Department. Ms Beinecke serves as Chairperson of Arnhold & S. Bleichroeder Advisors LLC First Eagle Funds, Inc., a leading US public mutual fund family. She is a Board member of Vornado Realty Trust (NYSE), Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc. She also serves as a Director, Vice-Chair and Executive Committee member of the Partnership for New York City, as a Director of the Fund for New York's Future, Inc. and as a Trustee of The Wallace Foundation. She is also a member of the Board of Advisors, Yale Law School Center for the Study of Corporate Law, and a Director of the Merce Cunningham Dance Foundation. She has been included in The Best Lawyers in America, in Chambers, and in the National Law Journal's 50 Most Influential Women Lawyers in America.

OLIVIER BOUYGUES

57 years.
Nationality: French.
Professional address:
Bouygues – 32, avenue Hoche – 75378 Paris cedex 08 (France).

End of mandate: AGM 2010 (appointed on 28 June 2006).

Member of the Nominations and Remuneration Committee.

Holds 1,000 shares.

Other current directorships and positions:

In France:

Deputy Chief Executive Officer of Bouygues;
Chief Executive Officer of SCDM;
Standing representative of SCDM at the Board of SCDM Énergie;
Chairman of SAGRI-E and SAGRI-F;
Director of Cefina;
Manager of SIR and SIB.

Within Bouygues group:

Chairman of the Board and Director of Finagestion;
Director of TF1, Bouygues Telecom, Colas, Bouygues Construction and Eurosport.

In foreign countries:

Within Bouygues group:

Chairman and Chief Executive Officer and Director of Seci (ex-Saur Énergie de Côte d'Ivoire);

Director of Compagnie Ivoirienne d'Électricité (CIE), of Société de Distribution d'Eau de la Côte d'Ivoire (Sodeci), and of Société Sénégalaise des Eaux.

Past directorships (held during the past-five years) outside Bouygues group:

In France:

Deputy Chief Executive Officer of SCDM in 2002;

Director of Esso in 2002;

Director of Actiby in 2004;

Director of Novasaur in 2006.

In foreign countries:

–

Biography:

Graduate of École Nationale Supérieure du Pétrole (ENSPM). Mr Olivier Bouygues joined the Bouygues group in 1974. He began his career in the Group's civil works branch. From 1983 to 1988, he worked at Bouygues Offshore as Director of the Cameroon subsidiary Boscam and then Director for the France Works and Special Projects division. From 1988 to 1992, he held the post of Chairman and CEO of Maison Bouygues. In 1992, he was appointed Group Executive Vice President for Utilities Management, a division covering the French and international activities of Saur. In 1997, Bouygues and Saur acquired Cise, thus creating France's third largest utilities management group. Saur was sold to PAI Partners by the end of 2004. In 2002, Olivier Bouygues was appointed Deputy Chief Executive Officer of Bouygues.

GEORGES CHODRON DE COURCEL

58 years.

Nationality: French.

Professional address:

BNP Paribas – 3, rue d'Antin – 75002 Paris (France).

End of mandate: AGM 2010.

First mandate: 3 July 2002 – 28 June 2006.

Member of the Audit Committee.

Holds 491 shares.

Other current directorships and positions:

In France:

Chief Operating Officer of BNP Paribas;

Director of Bouygues;

Director of Société Foncière, Financière et de Participations;

Director of Nexans;

Member of the Supervisory Board of Lagardère;

Non-voting Director of Safran and Scor.

Within BNP Paribas group:

Chairman of Compagnie d'Investissement de Paris SAS;

Chairman of Financière BNP Paribas SAS;

Director of Verner Investissements SAS;

Non-voting Director of Exane (a subsidiary of Verner).

In foreign countries:

Director of Erbé SA (Belgium);

Director of Scor Holding (Switzerland) AG.

Within BNP Paribas group:

Chairman of BNP Paribas (Switzerland) SA;

Director of BNP Paribas ZAO (Russia);

Director of BNL (Italy).

Past directorships (held during the past-five years):

In France:

Member of the Supervisory Board of Sagem and Scor, Permanent representative of CIP at FFP (Société Foncière, Financière et de Participations) and Sommer SA, non-voting Director of SCOR Global Life (ex-Scor Vie).

Within BNP Paribas group:

Chairman of BNP Emergis SAS;

Director of Capstar Partner SAS.

In foreign countries:

Within BNP Paribas group:

Chairman of BNP Paribas Bank Polska;

Chairman and Director of BNP US Funding;

Director of BNP Paribas Canada;

Director of BNP Paribas Peregrine Limited (Malaysia);

Director of BNP Paribas Prime Peregrine Holdings Limited (Malaysia);

Director of BNP Paribas Securities Corp (United States);

Director of BNP Paribas Suisse SA (Switzerland);

Chairman and Director of BNP Paribas UK Holdings Limited.

Biography:

Mr Georges Chodron de Courcel graduated in 1971 from École Centrale de Paris and had a degree in Economics in 1972. He began his career with Banque Nationale de Paris where he has had a succession of responsibilities. After having spent 6 years in Corporate Banking, he was named Head of Equity Research and then Head of Asset Management. In 1989, he was appointed Director of Corporate Finance and Chief Executive Officer of Banexi. In January 1991, he became Head of Capital Markets and in September 1996, was appointed Chief Executive International and Finance of BNP. After the merger with Paribas in 1999, he has been named Head of Corporate and Investment Banking and was Member of the Executive Committee, then Chief Operating Officer in June 2003.

PASCAL COLOMBANI

62 years.
Nationality: French.
Professional address:
A. T. Kearney – 44, rue de Lisbonne – 75008 Paris (France).

End of mandate: AG 2008 (appointed on 9 July 2004).

Independent Director.
Member of the Audit Committee.

Holds 300 shares.

Other current directorships and positions:

In France:
Senior Advisor of A. T. Kearney;
Senior Advisor of Détroyat Associés;
Non-executive Director of Rhodia;
Non-executive Director of Technip;
Non-executive Director of Valeo;
Board member of C-Genial Foundation.

In foreign countries:
Non-executive Director of British Energy Group plc.;
Board member of *"Partage du savoir"* Foundation (Switzerland).

Past directorships (held during the past five years):

In France:
Chairman of the Supervisory Board of Areva (2001 – 2003);
Director of EDF (2000 – 2003);
Director of Cogema (2000 – 2003);
Chairman and Chief Executive Officer of CEA (2000 – 2002);
Chairman of the Board of École Normale Supérieure de Cachan (2001 – 2003);
Chairman of the Board of the French Association for the Advancement of Science (AFAS) (2003 – 2006);
Non-executive Director of the French Institute of Petroleum (IFP) (2001 – 2006).

In foreign countries:
–

Biography:

Mr Pascal Colombani is a graduate of École Normale Supérieure (Saint-Cloud) and holds a doctorate in Nuclear Physics. His career has been balanced between research and industry: he started as a research associate at the French Centre for National Research (CNRS) before joining Schlumberger where he spent almost twenty years in various management positions in Europe, the USA, and Japan. In this last position, while President of Schlumberger KK in Tokyo, he also initiated the implantation of an R&D centre in China. Director of Technology at the French Ministry of Research from 1997 to 1999, he became Chairman and Chief Executive Officer of the French Atomic Energy Commission (CEA) in 2000, where he initiated new programmes in nuclear, defence, and microelectronics and the restructuring of the CEA industrial holdings, resulting in the creation of Areva, the nuclear engineering conglomerate. He chaired the Board of Areva until 2003. Pascal Colombani is Senior Advisor on Innovation, High Technology and Energy at A. T. Kearney, the management consultancy. He is also member of the Boards of British Energy Group plc, Rhodia, Technip and Valeo. He is a member of the French Academy of Technologies. Mr Pascal Colombani is "Chevalier" of the "Légion d'honneur" and officer of the National Oder of Merit.

JEAN-MARTIN FOLZ

61 years.
Nationality: French.
Professional address:
AFEP – 11, avenue Delcassé – 75008 Paris (France).

End of mandate: AG 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Audit Committee.

Holds 500 shares.

Other current directorships and positions:

In France:
Director of Saint-Gobain;
Director of Société Générale;
Member of the Supervisory Board of Carrefour;
Member of the Supervisory Board of Axa.

In foreign countries:
Director of Solvay (Belgium).

Past directorships and positions (held during the past five years):

In France:
Chairman of the Management Board of Peugeot SA (1997 – 2007);
Chairman of Automobiles Peugeot;
Chairman of Automobiles Citroën;
Director of Banque PSA Finance;
Director of Peugeot Citroën Automobiles;
Director of Faurecia.

In foreign countries:
–

Biography:

Mr Jean-Martin Folz is a graduate of École Polytechnique. He started his career in the French Ministry of Industry where he served from 1972 to 1978. Then he joined the group Rhône-Poulenc in 1978. He became Deputy Chief Executive Officer and, then, Chairman and Chief Executive Officer of Jeumont-Schneider between 1984 and 1987. He then joined Péchiney as Chief Executive Officer up to 1991, and was appointed Chairman of Carbone Lorraine. He was Chief Executive Officer of Eridania Béghin-Say before becoming Chairman of Béghin-Say. In 1995, he joined PSA Peugeot Citroën group and was appointed Chairman of the group in 1997. He left the group in February 2007.

4 Corporate Governance

GÉRARD HAUSER

66 years.
Nationality: French.
Professional address:
Nexans – 16, rue de Monceau – 75008 Paris (France).

End of mandate: AG 2008.
First mandate: 11 March 2003 – 9 July 2004.

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 1,243 shares.

Other current directorships and positions:

In France:
Chairman and Chief Executive Officer of Nexans;
Director of Aplix;
Director of Ipsen;
Director of Faurecia.

In foreign countries:
Chairman of Supervisory Board of Fläktwoods (Switzerland).

Past directorships (held during the past five years):

In France:
–

In foreign countries:
–

Biography:

From 1965 till 1975, Mr Hauser covered several high-duty positions in the Philips Group. From 1975 till 1996, he worked for the Péchiney Group, as Chairman and Chief Executive Officer of Péchiney World Trade first and of Péchiney Rhénalu later; he was later appointed Senior Executive Vice President of American National Can and member of the Group Executive Board. Mr Hauser joined Alcatel Câble France in 1996 and became President of its Cable and Component Sector in 1997. In 2000, he was appointed Chairman and Chief Executive Officer of Nexans.

JAMES WILLIAM LENG

62 years.
Nationality: British.
Professional address:
Second Floor, 30 Millbank – London SW1P 4WY (United Kingdom).

End of mandate: AG 2011.
First mandate: 18 November 2003 – 26 June 2007.

Independent Director.
Chairman of the Nominations and Remuneration Committee.

Holds 575 shares.

Other current directorships and positions:

In France:
–

In foreign countries:
Chairman of Corus Group Limited;
Non-Executive Director of Corus Group Limited;
Nominated Executive of Convenience Food System Holdings B.V.;
Director of Pregis Holding I Corporation;
Director of Pregis Holding II Corporation;
Chairman of Doncasters Group Limited;
Deputy Chairman of Tata Steel limited;
Governor of the National Institute of Economic and Social Research;
Fellow of the Institute of Management;
Member of the European Advisory Council of HSBC.

Past directorships (held during the past-five years):

In France:
–

In foreign countries:
Chief Executive of Laporte plc (1 October 1995 – 30 June 2001);
Vice President of Chemical Industries Association Limited (19 November 1998 – 30 June 2001);
Chairman of Doncasters Group Limited (3 August 2001 – 9 June 2003);
Deputy Chairman of Corus Group plc (22 April 2002 – 1 June 2003);
Chairman of Corus Group plc (1 June 2003 – 23 April 2007);
Non-Executive Director of JP Morgan Fleming Mid Cap Investment Trust plc (27 January 2003 – 30 April 2004);
Non-Executive Director of IMI plc (1 December 2002 – 13 May 2005);
Non-Executive Chairman of IMI plc (1 January 2005 – 13 May 2005);
Non-Executive Director of Lennox Managements Limited (6 April 2004 – 19 January 2006);
Non-Executive Director of Pilkington plc (11 September 1998 – 16 June 2006);
Chairman of Laporte Group Pension Trustees Ltd (4 July 2001 – 19 March 2007).
Non-Executive Director of Hansons PLC (1 June 2004 – 24 August 2007).

Biography:

Mr James W. Leng is also Deputy Chairman of Tata Steel limited, Chairman of Corus Group Limited and Chairman of Doncasters Group Limited. He was the Chief Executive of Laporte plc from 1995 until June 2001. In May 2005, he retired as a Director and Chairman of IMI plc.

KLAUS MANGOLD

64 years.
Nationality: German.
Professional address:
Daimler AG – Siemenstraße 7 – 70469 Stuttgart (Germany).

End of mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 250 shares.

Other current directorships and positions:

In France:

–

In foreign countries:

Member of the Board of Directors of Chubb Group of Insurance Companies, USA;
Member of Board of Directors of Magna International Inc., Canada;
Chairman of the Advisory Board of Rothschild GmbH Germany, Frankfurt;
Vice Chairman Europe of Rothschild, Paris/London;
Member of the European Advisory Council of Rothschild, Paris/London;
Member of the Supervisory Board of Drees & Sommer AG, Stuttgart;
Member of the Supervisory Board of Universitätsklinikums, Freiburg;
Member of the Supervisory Board of Metro AG.

Past directorships and positions (held during the past-five years):

In France:

–

In foreign countries:

Member and Chairman of the Board of Management of DaimlerChrysler Services AG, Berlin;
Member of the Board of Management of DaimlerChrysler AG, Stuttgart;
Member of the Supervisory Board of Rhodia AG, Freiburg;
Member of the Supervisory Board of Jenoptik AG, Jena.

Biography:

Dr Klaus Mangold is a former Member of the Board of Management of DaimlerChrysler AG, former Chairman of the Board of Management of DaimlerChrysler Services AG and former Executive Advisor to the Chairman of DaimlerChrysler AG. He studied law and economics at the Universities of Munich, Geneva, London, Heidelberg and Mainz and finished his studies with a law degree at Heidelberg University. After graduating, he held different functions in the German industry before being nominated a Member and Chairman of the Board of Management of Rhodia AG, a branch of the French Rhône-Poulenc group (1983 – 1990), and Chairman and Chief Executive Officer of Quelle-Schickedanz AG (1991 – 1994). He joined the Daimler-Benz group as a Member of the Board of Management in charge of its Services Division and Central and Eastern European markets (1995 – 2003). Dr Mangold is member of a number of Supervisory and Advisory Boards including those of Rothschild Europe and Metro AG. He is a member of the Board of Directors of the Chubb Corporation, USA, and Magna International, Canada. He is also Chairman of the Committee on Eastern European Economic Relations. Dr Klaus Mangold is Honorary Consul of the Russian Federation. He is a recipient of the Great Silver Badge of Honour with the Star of the Austrian Republic and Commander of the *"Légion d'honneur"* in France.

ALAN THOMSON

61 years.
Nationality: British.
Professional address:
Bodycote plc – Hulley Road Macclesfield – Cheshire SK 10 2SG – (United Kingdom).

End of mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Audit Committee.

Holds 250 shares.

Other current directorships and positions:

In France:

–

In foreign countries:

Chairman of Bodycote plc – U.K.;
Non-executive Director of Johnson Matthey plc – U.K.;
Non-executive Director of Crossmatch Technologies Inc. – USA;

Past directorships and positions (held during the past-five years):

In France:

–

In foreign countries:

Deputy Chairman of Bodycote plc (2007 – 2008);
Group Finance Director of Smiths Group plc – U.K. (1995 – 2006).

Biography:

Mr Alan Thomson studied Economics and History at Glasgow University graduating with a Master of Arts degree in 1967. He qualified as a Chartered Accountant in 1970 and became a member of the Institute of Chartered Accountants of Scotland. From 1971 until 1975, he was Audit Manager with Price Waterhouse in Paris. From 1975 until 1979, he was Financial Director then *Directeur Général* of Rockwell International S.A. in Paris, and from 1979 until 1982, he was Financial Director in the Automotive Division of Rockwell International firstly in the USA (1979 – 1980) then in the United Kingdom (1980 – 1982).

From 1982 until 1984, he was UK Financial Director of Raychem Ltd, a division of a US public Materials Science company. From 1984 until 1992, he was a Divisional Finance Director within Courtaulds plc, a UK quoted company. From 1992 to 1995, Mr Alan Thomson was employed as the Group Financial Director and Main Board Director of The Rugby Group plc, a UK quoted Building Materials company and from 1995, until his retirement in September 2006, he held the position of Group Financial Director of Smiths Group plc a UK quoted engineering company. Mr Alan Thomson has been elected Chairman of Bodycote plc, an unquoted engineering company, in April 2008. He is also a non-executive Director of Johnson Matthey plc, a UK quoted company specialised in Precious metals and Environmental catalysts and of Crossmatch Technologies Inc., a US corporation which produces Biometric solutions for the global Security industry. Mr Alan Thomson is Junior Vice President and also a Council member of the Institute of Chartered Accountants of Scotland.

PHILIPPE MARIEN

52 years.
Nationality: French.
Professional address:
Bouygues – 32, avenue Hoche – 75378 Paris cedex 08 (France).

Chief Financial Officer of Bouygues group.

Member of the Audit Committee.

Designated by Bouygues Company as its permanent representative. Bouygues Company has been appointed as a Director on 18 March 2008.

End of Bouygues' mandate: AGM 2010 (appointment submitted for ratification to the AGM convened on 24 June 2008).

BOUYGUES SA

French *Société Anonyme* with a share capital of €347,502,578.
Head Office: 32, avenue Hoche – 75378 Paris cedex 08 (France).

Holds 42,487,349 shares.

Other current directorships and positions of Bouygues:

In France:
Director of Bouygues Construction;
Director of TF1;
Director of Colas;
Director of Bouygues Telecom;
Director of Société Technique de Gestion (SOTEGI);
Director of C2S;
Director of Bouygues Bâtiment International;
Director of Bouygues Travaux Publics;
Director of Bouygues Immobilier;
Director of Bouygues Bâtiment Île-de-France;
Director of CATC;
Director of 32 Hoche.

Past directorships and positions (held during the past-five years):

In France:
Director of Bymages 2 (21 June 2001 – 11 April 2003);
Director of BDT (17 April 2003 – 17 June 2003);
Director of Infomobile 2 (5 April 2002 – 31 August 2004);
Director of Bymages 3 (16 April 2002 – 10 November 2004);
Director of Société d'Aménagement Urbain et Rural (SAUR) (26 June 1991 – 7 December 2004);
Director of Bymages 4 (11 April 2003 – 14 April 2005);
Director of Société Financière et Immobilière de Boulogne (SFIB) (15 April 1999 – 15 April 2005).

* * *

To the Company's knowledge, no member of the Board of Directors:
- has been convicted for fraud during the last five years and/or has been the subject of any official public investigation and/or sanction by statutory or regulatory authorities;
- has been associated in his/her capacity of manager in any bankruptcy, receivership or liquidation for the past five years;
- has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in the management or conduct of the Business of any issuer for the past five years.

To the Company's knowledge, no family relationships among the members of the Company's Board of Directors exists.

Furthermore, to the Company's knowledge there is no conflict of interest between any duty of the members of the Board of Directors and their private interests and/or other duties. The only potential conflicts of interest are those that could, as the case may be, originate from agreements that Bouygues and ALSTOM have entered into. Bouygues SA or companies of its group may be in a position to sign various contracts with ALSTOM pursuant, in particular, to the non exclusive cooperation protocol signed between both groups on 26 April 2006, and the purpose of which is the creation of infrastructures for transport or the production of electricity.

In case of conflict of interest, according to the Director's Chart annexed to the Board of Directors' Internal Rules and Regulations, any Director must inform the Board as soon as he/she is aware of any, even potential, conflict of interests and he/she must abstain from participating to discussions on the conflicting subject matter and from voting on the resolution thereby. In case of permanent conflict of interest, the Director must resign.

To the Company's knowledge, no settlement or agreement has been reached with shareholders, clients, suppliers or others to appoint a member of the Board of Directors.

To the Company's knowledge, there is no service contract linking any members of the Board of Directors to the Company or to any of its subsidiaries and granting them any benefits.

Changes in the membership of the Board of Directors

DURING THE FISCAL YEAR 2007/08

The renewal of the mandates of Mr Patrick Kron, Mrs Candace K. Beinecke and Mr James W. Leng as Directors was approved by the Ordinary Shareholders' Meeting held on 26 June 2007.

Upon proposal of the Board of Directors, which took into account the wish to enlarge the Board's composition expressed by the Board members as well as the retirement of Mr James B. Cronin, the Ordinary Shareholders' Meeting held on 26 June 2007, also appointed Mr Jean-Martin Folz, Dr Klaus Mangold and Mr Alan Thomson, as Directors of the Company.

These candidates have been selected by the Nominations and Remuneration Committee with the aim to strengthen the Board expertise in finance, industrial strategy, notably international, and to increase the number of independent Directors, in accordance with the Directors' wishes expressed at the time of the assessment of the functioning of the Board conducted in 2006.

Mr James B. Cronin's mandate ended at the end of the Ordinary and Extraordinary Shareholders' Meeting held on 26 June 2007.

Following Mr Olivier Poupart-Lafarge decision to put an end to his mandate on 18 March 2008 notified to the Board held on the same day, the Board of Directors appointed the company Bouygues SA as Director with immediate effect for the remaining term of its predecessor's mandate.

Mr Philippe Marien, Chief Financial Officer of the Bouygues group, has been appointed permanent representative of Bouygues SA company at the Board of Directors.

NOMINATIONS SUBMITTED FOR APPROVAL TO THE NEXT ANNUAL GENERAL MEETING

The renewal of the mandates of Mr Jean-Paul Béchat, Mr Pascal Colombani and Mr Gérard Hauser for a 4-year period as Directors and the ratification of the appointment of Bouygues SA company to replace Mr Olivier Poupart-Lafarge, made on a provisional basis, will be submitted for approval to the Ordinary and Extraordinary Shareholders' Meeting convened on 24 June 2008.

Evaluation of the Directors' independence

According to the AFEP/MEDEF Report and as set forth in the Board of Directors' Internal Rules and Regulations, the Board of Directors re-examined annually the situation of each Director in the light of the independence criteria. The Board meeting of 6 May 2008 performed this review based on the proposals made by the Nominations and Remuneration Committee which the Board had accepted.

As in the previous year, the Board followed the definition contained in the AFEP/MEDEF Report and considered that a Director is independent when he or she has no relationship of any kind with the Company, its Group or its Management that could compromise the independence of his or her judgement.

The Board took into account all the criteria recommended by the AFEP/MEDEF Report to assess the independence of its members, which follow:

- a Director is not an employee or a Corporate Officer *("mandataire social")* of the Company or of one of its consolidated subsidiaries and has not been in such a position for the five previous years;
- a Director is not a Corporate Officer *("mandataire social")* of a company in which the Company holds, either directly or indirectly, a directorship, or in which a directorship is held or has been held within the past-five years by an employee or a Corporate Officer *("mandataire social")* of the Company;
- a Director is not either directly or indirectly, a significant customer, supplier, investment banker or commercial banker or for which the Company or its Group holds a material proportion of the entity's activity;
- a Director does not have any close family ties with a Corporate Officer *("mandataire social")* of the Company;
- a Director has not been an auditor of the Company for the past five years;
- a Director has not been a Director of the Company for more than twelve years;
- a Director does not hold, control, or represent a shareholder who holds alone or in concert more than 10% of the Company's share capital or voting rights.

Based on these criteria, the Board of Directors determined that seven members should be considered as independent Directors (Mr Jean-Paul Béchat, Mr Pascal Colombani, Mr Jean-Martin Folz, Mr Gérard Hauser, Mr James William Leng, Mr Klaus Mangold and Mr Alan Thomson) out of the twelve members of the Board of Directors.

The Board's view that Mr Gérard Hauser should be considered to be independent took into account the commercial relationship between Nexans and ALSTOM Group, which in the Board's view is not material, and the fact that a Director of the Company was also Director of Nexans, was not considered to compromise the independence of his judgement. After having taken into account the commercial relationship between the companies in which Mr Pascal Colombani holds a non-executive position and the Group, which in the Board's view is not material, and the fact that he is Director of a company in which a former Director of ALSTOM (for less than five years) is also a Director, the Board's opinion is that Mr Pascal Colombani should be considered to be independent. The Board's view that Mr James W. Leng should be considered to be independent took into account the fact that in spite of the level of commercial relationship between the Group and a company of which is a Corporate officer since a recent date, Mr Leng does not have an executive position in this company. The Board also determined that Mr Jean-Paul Béchat, Dr Klaus Mangold and Mr Alan Thomson fulfilled each of the above criteria and should be considered to be independent. The Board's view that Mr Jean-Martin Folz should be considered to be independent took into account the fact that in spite of the level of relationship between the Group and Société Générale, of which Mr Folz is a Director, Mr Folz does not have an executive position within Société Générale.

In addition to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company, Mrs Candace K. Beinecke who is Chair of Hughes Hubbard & Reed LLP, one of the Company's principal legal advisors, Mr Olivier Bouygues, the company Bouygues SA holding approximately 30% of the Company's share capital, and Mr Georges Chodron de Courcel who is Delegated Chief Executive Officer of BNP Paribas, one of the core banks and one of the financial advisors of the Company, are not independent Directors.

Thereby, the Board of Directors qualified seven members as independent, which corresponds to the proportion of one half recommended by the AFEP/MEDEF report for those companies with a widely spread share capital and which has been approved by the Board, as it is part of its Internal Rules and Regulations.

THE AUDIT COMMITTEE

The Audit Committee was formed in 1998 and is currently composed of six members:

Mr Jean-Paul BÉCHAT,
Chairman of the Committee since 1 January 2004;

Mr Georges CHODRON DE COURCEL;

Mr Pascal COLOMBANI;

Mr Jean-Martin FOLZ;

Mr Philippe MARIEN;

Mr Alan THOMSON.

Two-thirds of the members of the Audit Committee are independent, including the Chairman. This corresponds to the two-thirds of Directors recommended by the AFEP/MEDEF report.

THE NOMINATIONS AND REMUNERATION COMMITTEE

The Nominations and Remuneration Committee was formed in 1998 and is currently composed of five members:

Mr James W. LENG,
Chairman of the Committee since 18 November 2003;

Mrs Candace K. BEINECKE;

Mr Olivier BOUYGUES;

Mr Gérard HAUSER;

Mr Klaus MANGOLD.

A majority of the members of the Committee are independent, including the Chairman, which corresponds to the AFEP/MEDEF Report's recommendation to have a majority of independent members in Remuneration Committees.

For more information on the organisation, functioning and activity of each Committee during the previous fiscal year, please see the enclosed report of the Chairman of the Board of Directors as per Article L. 225-37 of the French Commercial Code.

The Executive **Committee**

As of 6 May 2008, the Executive Committee is composed of the following persons:

Patrick KRON
Chairman of the Board and Chief Executive Officer

Philippe JOUBERT (1)
Executive Vice President; President, Power Systems Sector

Philippe MELLIER
Executive Vice President; President, Transport Sector

Walter GRAENICHER
President, Power Service Sector

Patrick DUBERT
Senior Vice President, Human Resources

Henri POUPART-LAFARGE
Chief Financial Officer

The Executive Committee met 11 times during the fiscal year.

The Disclosure **Committee** *(Le Comité de l'information)*

In 2003, the Chairman and Chief Executive Officer and the Chief Financial Officer set up a Disclosure Committee, which is not a Committee of the Board of Directors.

The members of the Corporate Disclosure Committee are: the Chief Financial Officer, the General Counsel, the Senior Vice President Internal Control, the Group Controller, the Vice President Tenders & Projects Control, and the Sectors SVP Finance. The Corporate Disclosure Committee meets at least twice a year.

The Disclosure Committee assists the Chairman and Chief Executive Officer and the Chief Financial Officer in complying with their obligations of prompt and correct disclosure of six-month and yearly financial information as well as in evaluating the effectiveness of ALSTOM's Disclosure Controls and Procedures (as defined below).

To meet its objectives, the Committee:
- verifies that the Group has controls and procedures in place ensuring (i) that information required to be disclosed to investors and the French Stock Market Authority ("AMF"), Euronext Paris and any other Stock Market Authority as the case may be, is verified and reported on a timely basis, and (ii) that adequate and appropriate information is accumulated and communicated to management, including the Chairman and Chief Executive Officer and Chief Financial Officer, to allow timely decisions to be made regarding such disclosure ("Disclosure Controls and Procedures");
- at least twice every fiscal year, reviews the Disclosure Controls and Procedures and recommends to the Chairman and Chief Executive Officer and the Chief Financial Officer amendments it deems appropriate;
- reviews the content of ALSTOM's "Document de Référence" and other required documents to be filed with the AMF (or with any other stock market authority) containing material financial information as well as any other information or forecast which could have an impact on ALSTOM's share price ("ALSTOM Disclosures");
- evaluates the effectiveness of ALSTOM's Disclosure Controls and Procedures as of the last day of each fiscal year and reports to the Chairman and Chief Executive Officer and to the Chief Financial Officer, disclosing any material shortcomings therein;
- reports to the Chairman and Chief Executive Officer and Chief Financial Officer any fraud, whether or not material, that comes to the attention of the Committee involving management or other employees who have a significant role in ALSTOM's internal controls;
- reviews its charter annually and make such recommendations to the Chairman and Chief Executive Officer and Chief Financial Officer regarding any changes as it deems appropriate; and
- assumes any other responsibilities assigned to it by the Chairman and Chief Executive Officer and Chief Financial Officer.

Each of ALSTOM's Sectors has established a Sector Disclosure Committee, which reviews drafts of all portions of ALSTOM

(1) Philippe Joubert also ensures the coordination of the Power-related Sectors and the supervision of the International Network.

Disclosures (as defined above) that relate to its Sector's activities and operations (financial and otherwise), and evaluates the effectiveness of the operation of the Disclosure Controls and Procedures within its Sector. Each Sector Disclosure Committee shall report to the Disclosure Committee, either directly or through its representative on the Disclosure Committee, as to the results of its review of ALSTOM Disclosures applicable to its Sector, and as to its evaluation of the effectiveness of the operation of the Disclosure Controls and Procedures within its Sector.

Chairman's report pursuant to article L. 225-37 of the French Commercial Code

Pursuant to Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors presents in this report covering the fiscal year which ended on 31 March 2008, the conditions for the preparation and organisation of the work of the Board of Directors, the limitations on the Chief Executive Officer's powers, the principles and rules set by the Board to determine the Company's executive and non-executive officers *("mandataires sociaux")* compensation and benefits and the internal control procedures implemented by the Company within the Group.

This report was reviewed by the Board of Directors held on 6 May 2008, after the Audit Committee had reviewed the section relating to the internal control procedures, and after the Nominations and Remuneration Committee had reviewed the other sections.

In a report attached to their general report, the Independent Auditors will present their observations on the internal control procedures for the preparation and the processing of accounting and financial information.

CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

Organisation and functioning of the Board of Directors

INTERNAL RULES AND REGULATIONS

The procedures governing the organisation and functioning of the Board of Directors are defined by the Internal Rules and Regulations of the Board and applicable laws and regulations.

Each year, the rules are reviewed by the Board to determine whether its provisions need to be amended in order to better comply with regulations in force or to improve the efficiency and operation of the Board and its Committees. The last amendments made, aimed at improving the Board's good governance practices, formalising certain current practices, and taking into account regulatory changes, were incorporated on 28 March 2007 upon recommendation of the Nominations and Remuneration Committee.

The Internal rules as amended notably state that the Board of Directors:

- shall, to the extent practicable, comprise at least half of the Board of independent members as determined and reviewed annually by the Board on the basis of a proposal to be made by the Nominations and Remuneration Committee;
- shall define, upon the proposal of the Chief Executive Officer, the Group's strategy, and shall regularly review the Group's strategic options as previously defined, supervise management and verify the quality of information supplied to shareholders and the financial markets;
- shall examine and approve the annual budget and the medium-term plan;
- shall consider prior to implementation, any operation that is not part of the Group's announced strategy or that could significantly affect it or materially modify the financial structure or results of the Group;
- shall approve before implementation any acquisition or divestiture insofar as the amount exceeds €250 million, any decision to set up a partnership or a joint venture where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion;
- shall be kept regularly informed of developments in the Group's Business activities and results, its financial position, indebtedness, cash position and, more generally, any Group commitments, and may request information about the foregoing at any time;
- shall create one or more specialised Committees and shall define their composition and responsibilities;
- shall approve the composition of the Group's Executive Committee;
- shall set the remuneration of the Corporate Officers *("mandataires sociaux")* and assess each year the Chairman and Chief Executive Officer's performance outside of his presence;
- shall review and approve annually the information on Corporate governance policies published in the Company's annual report.

The Board shall examine its operation at least once a year and implement a formal assessment every three years.

A minimum of four meetings shall be scheduled each year.

Training of Directors

At the beginning of his mandate, each Director receive all information needed to perform his or her duties and may request any documents he or she considers appropriate.

Interviews with those responsible for the Group's main central functions are organized, as well as meetings in the Group's sectors, in order for the Directors to gain initial contact with management teams and develop a more thorough understanding of elements that are specific to the Company, its activities and the markets in which it operates.

During the annual evaluations of the Board's operation, the members are requested to indicate whether they feel the need to update their knowledge or broaden their skills.

The Board's Internal Rules and Regulations have been supplemented to clarify that any further training a Director may request, if she or he considers it necessary, may cover not only Group's activities and product lines, but also accounting and financial aspects.

Information to be supplied to the Board of Directors

Prior to each Board meeting, the Directors shall receive, sufficiently in advance and with proper notice, a report on the agenda items which require prior examination and consideration.

Draft annual and semi-annual accounts are generally sent to all Directors at least one week before the meeting of the Audit Committee which always precedes the Board meeting.

In addition to Board meetings, the Chairman regularly informs the Directors of any event or development that may have a material impact on operations or on any information previously communicated to the Board or on any matters discussed during the meetings; the Chairman also regularly forwards to the Directors any material information regarding the Company. The Board Internal Rules and Regulations, notably provide for the prior notice and data to be given to the Board for any acquisition, disposal or any decision to set up a partnership or a joint venture in excess of €100 million.

The Directors receive copies of any press releases issued by the Company which have not been specifically approved by the Board, as well as the main articles appearing in the press and reports by financial analysts.

The Directors may at any time request further information from the Chairman of the Board, who shall assess the pertinence of the request. Any Director is also entitled to meet with the Group's Senior Executives outside of the presence of the *"mandataires sociaux"* of the Company.

The Directors can also be asked to join workgroups organised by the Company whose subject matters will then be presented to the Board.

Board Committees

Since the Company's listing in 1998, the Board of Directors has created two Committees, the Audit Committee and the Nominations and Remuneration Committee, invested with the responsibility to study and prepare the Board's main deliberations in order to improve the Board's efficiency, which is the only body duly authorised to make decisions.

Each Board meeting is generally preceded by a meeting of one or of the two Committees depending on the items on the Board meeting agenda. The Committees report to the Board on their work and observations, and submit their opinions, proposals or recommendations.

The composition, the powers and the procedures of each Committee are also defined by Internal Rules and Regulations put forward by each Committee involved and approved by the Board of Directors. Each Committee reviews every year its Internal Rules and Regulations and can submit any modifications that it considers appropriate to the Board.

The participation of any Director on the Committees is decided according to the Directors' experience and skills.

According to the Audit Committee Internal Rules and Regulations, at least two-thirds of the Committee must be independent Directors. As for the Nominations and Remuneration Committee, the Rules recommend that half of its members are independent among whom the Chairman of the Committee shall have a casting vote in case of a tie vote.

In the context of its work, each Committee can meet any Group executive it wishes, resort to the services of experts on its own initiative and ask for any information useful for it to perform effectively.

Moreover, each member of a Committee may propose that a meeting be held if he or she considers this necessary in order to discuss a particular issue.

Each Committee prepares a report presenting its work during the past fiscal year; this report is included in the Annual Report (see hereinafter).

Evaluation of the functioning of the Board and of the Committees and the follow up

Since 2004, the Board carried out annually a formal self-assessment of its organisation and functioning pursuant to its Internal Rules and Regulations, based on a questionnaire prepared by the Nominations and Remuneration Committee addressed to each Director. A summary of the individual assessments collected by the Committee on an anonymous basis is prepared by the Committee and then discussed by the Board of Directors in May. A similar procedure is simultaneously conducted to evaluate the workings of each Committee.

These evaluations were conducted for the first time in May 2004 and the last time on 6 May 2008. The possibility of resorting to the services of an outside consultant for the purposes of evaluating the operation of the Board and its Committees was once again considered and debated on in March 2008. The Nominations and Remuneration Committee as well as the Board of Directors found that the self-evaluation process conducted to this day was a quality procedure that the Company would maintain for at least one more year.

The Board's evaluations covered notably the composition of the Board, the frequency and length of the meetings, the issues discussed, the quality of the debates, the works of the Committees, the information provided to the members, their remuneration and the interaction with the Group's executives.

In 2004, generally, the Directors had a positive opinion of the quality of the information made available to them, whose continuous improvement they appreciated, and of the preparation of the Board decisions.

To continue on the same line, the following principles were agreed:
- organisation of specific meetings focused on strategy, human resources, risk management or any other subjects according to priorities and needs;
- increased participation to Board meetings by Group executives, in particular by the Sectors' Presidents;
- possibility for the non-executive Directors to meet outside of the executive Directors' presence.

These principles were implemented in September 2004 with a Board meeting dedicated to the human resources and social policy of the Group presented to the Board by the Senior Vice President of human resources. These principles were subsequently implemented each year in March when the Sector Presidents attended the Board meeting discussing the budget for the next fiscal year and the three-year plan, and when Directors met without the Chairman and Chief Executive Officer to discuss the evaluation of his performance.

These principles have been embedded in the Board Internal Rules and Regulations in 2007.

The 2005, 2006 and 2007 reviews confirmed that the performance of the Board and its Committees was satisfactory.

To take into account the suggestions of the 2005 performance review, it was decided to organise once a year a Board meeting on one of the Group's main industrial sites, in order to arrange a visit of the site and a thorough presentation of the Business and of the strategic plan of the Sector concerned.

Such meetings took place in September 2005 and 2006 on one of the main industrial sites related to the Power Business and to the Transport Sector, with a presentation by the Sector's President of the Business and strategic plan. In 2007, the meeting took place in China and also led to the visit of the Group's production units and infrastructures in this country.

The evaluation carried out in May 2006 confirmed the Directors' wish to continue these annual meetings, deemed highly satisfactory, intensify the Board's work on the medium and long-term strategy of the Group, continue the succession plans which are considered to be advancing well, expand and internationalise the composition of the Board and enhance the Directors' level of knowledge concerning the Group's activities and application of accounting principles.

The quality and relevance of the information communicated to the Directors at these Board meetings or between meetings was judged very satisfactory, as was the information on the main risks facing the Company.

A positive appraisal was also given concerning the quality of the minutes of the Committees' work, the progress of which was underlined.

Responding to the wish to enlarge the composition of the Board, the appointment of three new independent Directors corresponding to the profiles required, was submitted by the Board for the 26 June 2007 General Meeting's approval.

When conducting their May 2007 evaluation of the overall performance of the Board, the members strongly reaffirmed the good quality of the Board of Directors' operation. They found that significant progress with respect to the Board's role in strategic planning had been achieved during the fiscal year and that the additional time spent by the Board on these matters was appropriate.

The members once again judged that the Board was kept informed of major risks facing the Group, and that the Board had at its disposal an appropriate procedure for the identification and management of risks. A powerful consensus was reached on the issue that Board meetings were now refocused on essential subject matter and that the appropriate amount of time was allocated to each of the points included in the meeting's agenda. The members had the feeling that the quality of information sent to the members from one Board meeting to the next had again improved.

The information and reports provided by both Committees were considered of very good quality and to have improved over the course of the fiscal year.

The evaluation of the operating method of the Audit Committee highlighted an overall improvement and the evaluation of the Nominations and Remunerations Committee highlighted that this latter Committee operated in a satisfactory manner at a high performance level.

In 2008, the members found that the seminars intended for new Directors and initiating them to the activities, markets and specificities of the Group, as well as the annual Board meetings on Group sites, satisfied the objective set by the Board with respect to the sustained training of its members.

Activity report of the Board for fiscal year 2007/08

The Board of Directors met seven times during the fiscal year (seven times during the previous fiscal year). The average attendance was 92% in 2007/08, whereas it was 96% in 2006/07.

The Board discussed and passed resolutions on all main topics regarding the Group.

The Board reviewed and approved the consolidated and parent company accounts for the fiscal year 2006/07, the consolidated accounts for the first half of the fiscal year 2007/08, as well as the related management reports.

The Board continued to review the financial situation of the Group, the evolution of the cash flow and debt situation. The Board approved the launch of a public purchase offer on part of outstanding bonds and renewed the financial delegation of powers to the Chairman and Chief Executive Officer for the issue of bonds.

The Board submitted for approval to the Ordinary and Extraordinary Shareholders' Meeting convened on 26 June 2007, the appointment of three new independent Directors corresponding to the profiles wished by the Board Members, and co-opted in March 2008, the company Bouygues SA to replace Mr Olivier Poupart-Lafarge who resigned, so that Bouygues continues to be represented by two Directors on the Board.

A Board meeting was held in China and gave rise to an in depth presentation of the business and the Group's strategy in this country, and to visits of the main production sites.

During its annual meeting attended by the Sector's Presidents and the Vice President Head of Strategy, the Board reviewed and approved the 2008/09 budget and the three-year forecast; it also discussed the Group's short term strategy in the different lines of Business during this annual session.

During the financial year, the Board of Directors also:
- was informed of the outcome of the risk mapping process launched within the Group and annually presented to the Audit Committee and discussed and approved the description of the main risks faced by the Group which were included in the Company's Annual Report;
- was kept regularly informed and discussed the main legal proceedings and investigations involving the Group;
- adopted the resolutions and the documents required by law concerning the Annual General Meeting;
- discussed and approved the results of the annual performance evaluation of the Board and its Committees as submitted by the Nominations and Remuneration Committee, of the Chairman's report attached to the Management report, the Directors' independence and the criteria applied, and more generally approved the section "Corporate governance" of the Annual Report;

- discussed the evaluation of the application by the Company of the AFEP/MEDEF Corporate governance principles presented by the Nominations and Remuneration Committee's;
- reviewed the Chairman and Chief Executive Officer's performance during its annual meeting outside of his presence;
- decided to keep the positions of Chairman and Chief Executive Officer as combined into a single position and to set all of the conditions, including the indemnities and benefits he is entitled to in the event that his duties are terminated within the framework of the related party agreements procedure;
- confirmed the principle to maintain for three fiscal years as from the fiscal year 2006/07, the fixed remuneration of the Chairman and Chief Executive Officer and the range of his variable remuneration, upon his proposal, which the Nominations and Remuneration Committee had accepted;
- upon the Nominations and Remuneration Committee's proposal, the Board agreed on the new terms of distribution of the Directors' fees;
- decided, as proposed by the Nominations and Remuneration Committee, on the combined allocation of a conditional stock option plan and a conditional free shares plan subject to the condition that the Group's financial objectives are met and subject to employment condition within the Group, and the implementation of the "ALSTOM Sharing 2007" employee shareholding plan offered to current and former employees of the Group located in 19 countries. The Board also defined, pursuant to the Committee's proposal, the requirements associated with the holding of the shares applicable to the Chairman and Chief Executive Officer and to the other members of the Executive Committee within the framework of this conditional allocations of options and free shares carried out over the course of the fiscal year.

The Committees' Chairmen submitted their Committee work reports to the Board for discussion.

The Independent Auditors were invited to two of the Board meetings.

Audit Committee

The general purpose of the Committee is to assist the Board of Directors with ensuring the following:

- the completeness, quality, accuracy and truthfulness of the financial statements of the Group and other related financial information or reports provided to the shareholders, the public and Stock Exchanges Authorities;
- the Company's compliance with legal and regulatory requirements;
- the performance of the Company's internal audit function;
- the system of internal controls and accounting and financial reporting processes in general.

In fulfilling its role, as stated in its Internal rules, the Committee is responsible for:

- reviewing the scope of consolidation and examining all draft financial statements and related reports submitted to the Board of Directors for approval and discussing them with Management and the Independent Auditors;
- reviewing with Management and Independent Auditors the generally accepted accounting principles and methods used in the preparation of the accounts, as well as the alternative applications of accounting principles, their relevance, and also any changes in accounting principles, methods or rules;
- reviewing the report on the critical accounting policies and other key issues and decisions related to financial statements and related reports, and other material written communications between the Independent Auditors and Management;
- reviewing the Management's report on risks exposure (including litigation risks) and significant off-balance sheet commitments;
- reviewing with the Independent Auditors the nature, scope and results of their audit and work performed, any comments and suggestions they may have relating notably to internal controls, accounting principles, policies and practices and the internal audit programme;
- reviewing and evaluating at least annually the internal control procedures including for financial reporting contributing to the preparation of the accounts, including the system of risk assessment and risk management and the organisation and functioning of internal audit;
- reviewing and controlling the Independent Auditor selection process and making recommendations to the Board of Directors on their appointment or renewal, to expressing an opinion on the amount of fees proposed to be paid to the Independent Auditors by the Company, giving prior authorisation of any non-audit services directly complementary to the audit of the accounts as well as the related fees and ensuring the Independent Auditors' independence.

The Committee may also perform any other activities as the Committee or the Board of Directors deems necessary or appropriate.

The Committee is entitled to seek any external assistance it may deem necessary.

Unless the Committee decides differently, the Independent Auditors will attend meetings.

Activity report for fiscal year 2007/08

The Audit Committee met three times during fiscal year 2007/08 (four times during the previous fiscal year). The attendance level was 100% (same level for previous fiscal year).

The Chief Financial Officer, the Vice President Internal Audit, the Group Controller, the General Counsel and at least one representative of the two independent audit firms were in attendance at all three meetings. Other Senior Management including the Senior Vice

President Internal Control, the Vice President of Tenders and Projects Control, and several Chief Financial Officers of Sectors attended as required by the Committee.

The Committee reviewed the statutory and consolidated financial statements and "Document de Référence" for the fiscal year ended 31 March 2007 prior to its filing with the French Stock Market authority *("Autorité des marchés financiers")*.

The IFRS consolidated interim financial statements as of 30 September 2007 were also reviewed.

As part of its work, the Committee considered major risk contracts and other risks. Business risks including contracts execution risks were reviewed for all Sectors. An overview of litigation developments for the Group was presented. As each year, Audit Committee rules were reviewed and approved by the Audit Committee.

Work undertaken to improve internal control and risk control was considered. The Audit Committee also reviewed the results of the Internal Control initiative with the aim of improving internal controls, eliminating weaknesses and ensuring compliance with applicable regulations.

During the fiscal year 2007/08, the risk mapping process, part of the Three-Year Plan/Budget exercise, was reminded and updated risk mapping results were discussed at Group level. This annual exercise serves as a managerial tool to improve the Group approach, organisation and processes on risk management.

During 2007/08 fiscal year specific risk management matters were presented to the Audit Committee, including ALSTOM tendering management and the process of examination and decision on mergers and acquisitions transactions within the Group.

The Chief Internal Auditor presented the Internal Audit activity report for 2007 and the proposed internal audit program for each of the next four years was tabled and approved.

The Chief Internal Auditor met individually with the Chairman of the Audit Committee during the fiscal year 2007/08.

The External Auditors' Charter includes listing of preapproved services that can be performed within defined limits by the Independent Auditors. The Committee, at all its meetings, approved both the work to be performed by the Independent Auditors within its laid down guidelines and the fees involved. The External Auditors' Charter also includes restricted non audit services, which are not to be performed by the Independent Auditors for any company in ALSTOM.

The budgets for 2008/2009 prepared by the Company were received.

The Committee also reviewed the Chairman's report on internal control to be included in the Corporate governance section of the 2006/07 Annual Report.

As each year, members evaluated the functioning of the Committee on the basis of a questionnaire prepared by the Nominations and Remuneration Committee. The results and suggestions were discussed during a Board meeting.

The Committee reported on its work, provided comments and gave proposals to the Board.

Nominations and Remuneration Committee

As stated in its Internal rules, the Committee reviews and makes proposals or gives its opinion to the Board of Directors on the following subjects:

- the separation or combining of the functions of Chairman of the Board and Chief Executive Officer of the Company;
- the nomination (or revocation) of the Chairman of the Board and of the Chief Executive Officer;
- the nomination of new Directors including in case of unforeseeable vacancy; in particular, the Committee organises an appropriate procedure for selecting future independent Directors and makes its own independent research on potential candidates prior to their being approached;
- the nomination (or revocation), upon proposal of the Chief Executive Officer, of any other Corporate Officers *("mandataires sociaux")* and members of the Executive Committee;
- the succession plans for the Company's Corporate Officers;
- the application by the Company of Corporate governance practices and the Board and Committees' composition and functioning (including the Nominations and Remuneration Committee);
- the Company's definition of an independent Director and the list of independent Directors to be inserted in the Company's Annual Report;
- the compensation (fixed and variable) to be paid to the Corporate Officers, including compensation and benefits of any kind (including pensions and termination benefits) also paid to them by the companies belonging to the Group. The Committee notably reviews and defines the rules for determining the variable part of such compensation, ensures their coherence with the annual performance evaluation and the strategy of the Company, and thereafter controls the implementation of these rules;
- the Company's general policy relating to stock option plans including the granting, timing and frequency of allocations, and any proposed stock option plans including the proposed beneficiaries;
- the Company's general policy relating to employee share purchase schemes and any proposed schemes;
- the Directors' fees and the conditions for their award.

The Committee decides whether it will define, upon proposal of the Chief Executive Officer, the compensation and benefits of all or some of the members of the Executive Committee, including the principles and criteria used for their annual performance evaluation, in particular those for determining the variable part of their remuneration, or whether it will just be informed of these.

The Committee also develops and recommends to the Board for its approval, a formal process for evaluating the functioning of the Board and its Committees to be implemented at least every three years and, outside of the Directors concerned, prepares the annual performance evaluation of the Chairman of the Board and of the Corporate Officers based on the principles applied to other Senior Corporate Executives.

The Committee performs any other related activities as the Committee or the Board deems necessary or appropriate.

The Nominations and Remuneration Committee activity for the fiscal year 2007/08

The Nominations and Remuneration Committee met four times during fiscal year 2007/08 (four times during the previous fiscal year) and the attendance rate of members to these meetings was 90% (compared to 95% for fiscal year 2006/07).

The Committee took into consideration the results of the external search initiated by it to identify new Directors and recommended to the Board to propose the appointment of three new members, and the modification in the Committee's composition. The profiles were selected with the aim to complete the expertise of current members in finance and industrial strategy, namely international, and to increase the proportion of independent Directors, all in compliance with the outcome of the assessment of the Board's functioning conducted in May 2006.

The Committee recommended that the Board keep the positions of Chairman of the Board of Directors and Chief Executive Officer as combined into a single position and suggested the renewal of Patrick Kron's mandates as Chairman and Chief Executive Officer and all of the conditions associated with this mandate including indemnities and benefits owed to him in the event of termination of his duties.

The Committee received the AFEP/MEDEF recommendations on compensation of executive Corporate officers, and recommended to the Board to keep the Chief Executive Officer's base salary and range of his variable remuneration determined as from fiscal year 2006/07, unchanged for three years, *i.e.* up to fiscal year 2008/09. After the close of fiscal year 2008/09, the Chief Executive Officer's base salary and range of variable remuneration will be reviewed.

The Nominations and Remuneration Committee also discussed and proposed to the Board of Directors the terms and conditions to apply to the variable remuneration of the Chairman and Chief Executive Officer, including the remuneration for 2006/07, the detailed economic objectives for his variable remuneration for 2007/08 and the personal objectives.

As part of its Corporate governance review, the Committee steered the procedure for annual assessment of the functioning of the Board and of the Committees conducted in 2007 on the basis of questionnaires prepared by it and presented the results to the Board. The Committee also performed its annual assessment of the application by the Company of the AFEP/MEDEF Corporate governance principles. It reviewed and approved the Chairman's draft report on the functioning of the Board, reviewed the Director's independence status and the independence criteria applied, and more generally recommended to the Board the approval of the Corporate governance section of the 2006/07 Annual Report.

Concerning employees' shareholding and stock options, the Nominations and Remuneration Committee discussed and recommended to the Board in September 2007 to implement a new Employee Share Purchase Scheme "ALSTOM Sharing 2007" offered to Group's employees and former employees in 19 countries and to limit to 1 million shares the total number of shares which can be issued under the scheme.

The Nominations and Remuneration Committee examined in detail and recommended to the Board in September 2007, to allocate simultaneously a mix of conditional options within stock options plan No. 10 and of free performance shares and to decide that the number of options exercisable and of free shares to be finally delivered will be conditional upon the level of the Group's operating margin for fiscal year 2009/10. It reviewed all the other characteristics and conditions of these grants, as well as the list of beneficiaries. The Committee also discussed the proposed amount of conditional stock options and free performance shares to be allocated to the Chief Executive Officer within this plan and the related shares' retention obligations set in compliance with application law, also applicable to the other members of the Executive Committee, and decided to recommend it to the Board.

The Committee examined the compensations paid to Directors of the companies belonging to the CAC 40 index and decided to recommend to the Board to increase the fixed and variable amounts paid to the Company's Directors.

With respect to succession plans, the Committee examined the Group's internal resources and the possible evolution of the way in which they are distributed, and recommended that presentations by high potential executives be organised and given at an on-site Board meeting in order to be better acquainted with these executives.

The Nominations and Remuneration Committee reported to the Board on all these matters, works and recommendations.

Rules of conduct

THE DIRECTOR'S CHART

Attached to the Board of Directors' Internal Rules and Regulations is the Director's Chart, defining the Directors' rights and obligations, according to the AFEP/MEDEF report for an essential part. Such Chart has been modified by the Board of Directors on 28 March 2007 after the annual review of its Internal Rules and Regulations and analysis of Corporate governance practices, upon proposal of the Nominations and Remuneration Committee which the Board had accepted.

Before accepting his/her appointment, all Directors shall take cognisance of the legal and regulatory requirements relating to his office, as well as of the Company by-laws, the internal procedures for the Board of Directors and this Chart. Any Director can refer to the Secretary of the Board at any time, regarding the application of these rules and the rights and obligations of his role.

Any Director shall dedicate to his/her function all the required time and attention and shall attend – unless prevented to do so – all meetings of the Board of Directors and of the Committees which he is a member of, as well as all shareholders general meetings.

Pursuant to the Chart, each Director has a duty to inform the Board as soon as he/she is aware of a conflict of interest, even a potential one, and to abstain from attending discussions and from voting the resolution thereby. In case of permanent conflict of interest, the Director must resign.

The Director's Chart reminds the Directors' duty to comply with the Group's internal rules and, more generally, with the applicable legal or regulatory provisions regarding the Directors' abstention from dealing on the Company's shares.

Pursuant to the Group's internal rules the purchase and sale of the Company's shares are not allowed:
- during the 30 calendar days before ALSTOM first six-month and annual results are disclosed to the public and until the second trading day included after the date when the information has been disclosed to the public;
- during the 15 calendar days before the public disclosure of the sales and orders for the first and third quarters of the financial year and until the second trading day included after the date when the information has been disclosed to the public, and in any case;
- when inside information is held and until the second trading day included after the date when this information has been disclosed to the public.

Pursuant to the Nominations and Remuneration Committee's recommendations following its review of the Company's Corporate governance practices, the Board of Directors in its meeting of 28 March 2007 decided to introduce in the Chart the recommendation for each Director to hold, at the latest by 31 March 2008, at least 250 shares, the minimum number of 25 shares set by the by-laws remaining unchanged.

LIMITATIONS ON THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S POWERS

The Board of Directors, held on 26 June 2007, voted again, at the time of the renewal of Mr Patrick Kron's functions, for combining the roles of Chairman of the Board of Directors and Chief Executive Officer of the Company without any further limitations of power other than those provided by the law or by the Internal Rules and Regulations.

The Board considered that it does not view separating the roles as appropriate or necessary to improve the management of the Group or the functioning of the Board, and that combining the functions has demonstrated full efficiency particularly in front of critical situation faced by the Group which required reactivity of the Board, and did not prevent maintaining an efficient functioning of the Board with collegial decision-making on each important matter for the Group.

The Internal Rules and Regulations of the Board as amended on 28 March 2007, indicate that the Board of Directors' prior approval is required for:
- any operation that is not part of the Group's announced strategy or that could significantly affect it;
- any operation that could materially modify the financial structure or results of the Group;
- any acquisition or divestiture insofar as the amount exceeds €250 million, any decision to set up partnership or joint company where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion.

It also indicates that the Board of Directors examines and approves the annual budget and the medium-term plan.

COMPENSATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS *("mandataires sociaux")*

The principles and rules set by the Board of Directors for the determination of executive and non-executive officers' compensation and benefits of any kind are as set out below.

The remuneration of the Chairman and Chief Executive Officer

The remuneration of the Chairman and Chief Executive Officer is fixed by the Board of Directors upon the Nominations and Remuneration Committee's proposal and comprised of a fixed part and of a variable part.

Upon proposal of the Chairman and Chief Executive Officer and in compliance with AFEP/MEDEF recommendations, it has been decided to maintain unchanged the amount of the fixed part of the Chairman and Chief Executive Officer's remuneration and the range of his variable remuneration for three years as from the fiscal year 2006/07, *i.e.* until the end of fiscal year 2008/09.

The variable part of the remuneration varies along with the achievement of objectives for the fiscal year predetermined by the Board of Directors upon proposal of the Nominations and Remuneration Committee. These objectives are comprised of Group's performance objectives and specific qualitative objectives linked to the achievement of personal objectives. The achievement of these objectives and the amount of the variable part of the remuneration are then determined by the Board of Directors which approves the accounts for the fiscal year, upon the Nominations and Remuneration Committee's proposal after the evaluation of the Chairman and Chief Executive Officer's performance.

Since fiscal year 2004/05, the objectives set for each fiscal year, are, on one side, the Group's financial objectives – free cash flow, operational margin, and level of margin in the backlog – and on the other hand, the specific objectives linked to the actions plan and to the fiscal year's priorities.

In case the set objectives are met, the variable remuneration represents 100% of the annual base salary, with the amount of the variable part linked to financial objectives representing 60% of the annual base salary and the variable part linked to the specific objectives representing 40% of the annual base salary.

The amount of the variable part linked to financial objectives can vary between 0% and 120% and the amount of the variable part linked to specific objectives between 0% and 40%, depending on results achieved. Hence, the variable salary's range is between 0% and 160% of the annual base salary. However, the Board reserves the right to adjust upwards or downwards the results of the calculation of this variable part within the above mentioned range, based on its global evaluation of the performance achieved.

The Chairman and Chief Executive Officer receives stock options and free shares within the plan decided in principle annually by the Board of Directors. Within the framework of the 2007 plan, which is composed of a combined allocation of conditional stock options and conditional free shares, the Chairman and Chief Executive Officer must comply with a requirement to hold shares resulting from the exercise of stock options and final allocation of free shares until the expiry of his duties. Such requirement bears on a number of shares corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of stock options and on the effective date of allocation of the free shares.

He benefits from a Company's car.

The Chairman and Chief Executive Officer is also entitled to a supplemental retirement scheme which provides approximately, per year of service, a pension equivalent to 1.2% of the bracket of salary above 8 times the annual ceiling of French social security (€1,733,792 for year 2007) capped at €2 million. Since 1 January 2008, this cap is annually reviewed based on the evolution of the reference salary used for the determination of the supplemental retirement scheme AGIRC. All employees in France reaching this level of compensation are eligible to the scheme. The scheme is compound of a defined contribution plan and a defined benefit plan.

The Chairman and Chief Executive Officer also benefits from the Group insurance policy covering the subscribers in case of death or disablement, with the costs partly borne by the Company.

Unless in the event of grave misconduct of Mr Patrick Kron, in the event of termination of his mandate as Chairman and Chief Executive Officer at ALSTOM's initiative as well as in case he decides to resign further to a takeover of ALSTOM by a third party, according to the terms of his mandate, he benefits from an indemnity equal to twice his latest gross annual global remuneration (fixed and variable parts of his remuneration). This commitment, which was initially authorised by the Board of Directors on 26 June 2007, was amended with the approval of the Board on 6 May 2008 such that, pursuant to the application of the provisions of Article L. 225-42-1 of the French Commercial Code as amended by the law No. 2007-1223 dated 21 August 2007, the payment of this indemnity is rendered subject to the condition that, over the three-year period preceding the date of the Chairman and Chairman and Chief Executive Officer's dismissal or resignation, the performance of the ALSTOM share on the stock exchange is higher than the first quartile of the performance of the shares comprising the CAC Industrials index calculated by Euronext Paris. The first quartile corresponds to the performance under which 25% of the index share prices are located. The comparison shall be made on the opening date and on the expiry date of the three-year period, it being specified that the latter date be the last stock exchange day prior to the day of the dismissal or resignation enabling the determination of these closing prices. The payment of the indemnity shall be subject to the prior acknowledgment by the Board of Directors that the performance condition is met.

This commitment, as well as the other benefits arising upon the termination of the mandate of Mr Patrick Kron as Chairman and Chief Executive Officer, referred to in Article L. 225-42-1 of the French Commercial Code, and authorised by the Board of Directors during its 26 June 2007 and 6 May 2008 meetings, are subject to the approval of the shareholders' meeting convened on 24 June 2008 and are presented in the Statutory Auditors' special report.

The other benefits arising upon the termination of the mandate pertain to the preservation of the additional retirement plan benefiting other Group employees in France whose annual base remuneration exceeds eight times the social security ceiling amount referred to above, as well as the preservation of the stock options and the rights to a free allocation of shares granted to him over the course of his mandate under the following conditions.

Unless in the event of grave misconduct of Mr Patrick Kron, in the event of termination of his mandate as Chairman and Chief Executive Officer at ALSTOM's initiative, as well as in case he decides to resign further to a takeover of ALSTOM by a third party, the Chairman and Chief Executive Officer shall also keep all stock options granted to him up to the termination, these stock options can still be exercised under the conditions and in accordance with the terms set forth by the rules of each stock option plan concerned. He shall also keep the right to the final delivery of all free shares which have been granted to him up to the termination but not yet delivered at the end of his mandate under the conditions and in accordance with the terms initially set forth by the rules of each free shares plan concerned.

Directors' fees paid to the Directors

The Directors do not receive any compensation other than an attendance allowance ("Directors' fees"). Since 1 April 2005, the Chairman of the Board of Directors waived his Directors' fees.

The Ordinary and Extraordinary Shareholders' Meeting of 26 June 2007 fixed at €650,000 the maximum annual amount of Directors' fees, which can be distributed among the members of the Board of Directors.

The Board of Directors sets the terms of granting the Directors' fees upon the Nominations and Remuneration Committee's proposal. The principles set in the Internal Rules and Regulations of the Board is that the Directors' fees are made of a fixed part and of a variable part for attending the meetings of the Board or of the Committees and that the Chairmen of the Committees are paid an additional fixed fee. Half of the fixed and variable parts are paid in the fiscal year concerned, while the balance is paid the following fiscal year.

According to the terms of granting applied for fiscal year 2007/08, the Directors' fees were made of a fixed part worth €17,500 paid to each Director. Each Chairman of the Audit Committee and of the Nominations and Remuneration Committee receive an additional amount of €10,000 per year. In addition, each Director is paid €2,500 – unchanged – for attending the meetings of the Board or of the Committees of which she or he is a member.

Further to the CAC 40 companies practice review, upon the Nominations and Remuneration Committee's suggestion, the Board of Directors resolved to increase as from the fiscal year 2008/09, the Directors' fees as follow:

- the fixed part is increased to €22,500 paid to each Director; The Chairman of the Audit Committee will receive an additional amount of €15,000 per year and the Chairman of the Nominations and Remuneration Committee will receive an additional amount of €10,000 per year;
- the variable part is increased to €3,000 for attending the meetings of the Board or of the Committees.

INTERNAL CONTROL PROCEDURES

As part of its operational activities, the ALSTOM Group is confronted by a number of risks both external and internal, as stated in the Risks section of the Annual Report 2007/08 (see page 140).

It has therefore put in place an organisation, procedures and processes with the objective of identifying, quantifying and mitigating risks, and allocating resources to control risks in accordance with its Business objectives both strategic and operational.

During fiscal year 2007/08 a risk assessment review, as part of the annual process of the budgets and three-year plans, was undertaken to deepen the knowledge of risks of every nature within the Group, to build upon and to update a cartography of risks.

A Sector-based approach was taken within common themes allowing consistent risk assessment and enabling mitigation action plans to be put in place within a system of risk responses.

The update of the cartography of risks, initiated in the fiscal year 2005/06, was presented in March 2008 to both the Audit Committee and the Board of Directors.

Perimeter of internal control

The internal control system described herein covers the parent company ALSTOM and all its consolidated companies (the "Group").

Definitions

The Group has put in place a system of internal control procedures and evaluations initially based on control guidelines prepared by a recognised body, COSO (Committee of Sponsoring Organisations of the Treadway Commission). An analysis reconciling ALSTOM Internal Control and risk management framework policies contained in particular in Corporate Instructions, the Internal Control Manual, the Internal Control Questionnaire, the Reporting and Accounting Manual and the reference framework recommended by the AMF *(Autorité des marchés financiers)* has been performed. It scope included both the reference framework and the "Application guide for internal control procedures related to the accounting and financial information published by the issuers" "The reference framework".

The analysis outcome shows ALSTOM applies the "Reference framework" on internal control recommended by the AMF.

The system of internal control put in place provides reasonable assurance that:

- the Group's internal rules and instructions including applicable laws and regulations are complied with at all times;
- information is complete, accurate and to the required quality, particularly financial information;
- operations are completed in an optimal manner and internal control processes are effective, particularly those concerning the safeguard of assets;
- achievement of Business objectives are reached with identification and control of risk;
- the risk of fraud is minimised;
- controls, including controls over risks, are widely understood at all levels within the Group and appropriate actions are taken to mitigate and minimise these risks.

Internal control consists of five inter-related components, which have been implemented within the Group:

- control environment covering integrity, ethics, competencies, authorities, responsibilities and staff development;
- risk assessment, the identification, analysis and minimising of relevant risks;
- control activities, namely policies and procedures that ensure that Management's instructions are applied;
- information and reporting: information must be identified, captured and communicated in a format and timeframe to enable the relevant persons to carry out their responsibilities; and
- monitoring, including internal check and internal control procedures as well as internal audit: a process that assesses the quality of the systems performance over time.

By essence, an internal control system cannot provide a guarantee that such risks have been totally eliminated. It must bring them down to an acceptable level.

Components of internal control

CONTROL ENVIRONMENT

Organisation

The Group has put in place a structured organisation which is responsible for defining the Internal Control requirements, writing the Internal Control Manual, producing and updating as required the Internal Control self-assessment Questionnaire and monitoring globally the results. Where Internal Control weaknesses are identified, detailed action plans to correct the weaknesses in a timely manner are put in place and overseen by the central Internal Control team under the responsibility of the Senior Vice President Internal Control.

A community of experts in Internal Control has been developed, this Group communicates regularly to share good practices and drive the required change management.

A continuous improvement approach is taken with Internal Control regularly monitored at Business review meetings.

The results of the Internal Control assessments are also presented twice annually to the Audit Committee.

The Group policies and guidelines are implemented in the Sectors, Businesses, units and countries.

Each Sector President defines the internal organisation of the Sector in a way which ensures efficiency and performance of Businesses who have a number of reporting units each with a Managing and Finance Director responsible and accountable for their affairs including the control environment.

Corporate Instructions

The Group's control environment is governed by a series of Corporate instructions that constitute the body of internal rules (the "Corporate Instructions") and are posted on the Group's Intranet website.

The Corporate Instructions deal with issues of importance throughout the Company and are mandatory for the whole Group, including Sectors, Businesses, units, countries and functions. Once a Corporate instruction is issued, all units must ensure that any pre-existing procedures, policies, directives or other communications at any level is revised to comply with the said Corporate Instruction.

These Corporate Instructions define detailed rules and procedures regarding various topics, including but not limited to implementation of delegations of authority, appointment of Directors within the Group, principles regarding litigations, settlements and dispute resolution, communication with the media, issuance of press releases, Environment Health & Safety policy, crisis management, selection and payments to agents, consultants and representatives for Business transactions. The Corporate Instructions define the Group's management organisation as well as the responsibilities and organisation of the various functions within the Group. They also require compliance with the Group's Code of Ethics, Internal Control Manual and Reporting and Accounting Manual.

Code of Ethics

The Group has a Code of Ethics which applies to every officer and employee within the Group.

This Code of Ethics provides the fundamental values of the Group, *i.e.* trust, team and action and provides an easy reference for proper conduct in the day-to-day Business and is designed to promote honest and ethical conduct with clients, suppliers, competitors, shareholders, employees, governments, regulatory authorities and the public. Every officer and employee within the Group is accountable for complying with the Code of Ethics.

The Code of Ethics also prescribes rules of conduct, relating in particular to:

- corruption prevention to avoid unlawful payments and practices;
- agreements or understandings with competitors, to ensure fair and open competition;
- bribery and corruption, to avoid unlawful payments and practices;
- internal control, consolidation and disclosure of information, to ensure the quality and reliability of financial information.

The Code of Ethics prescribes other rules of conduct on various topics such as protection of the environment, dealing with customers and suppliers, government and other procurement contracts, contributions to political organisations, charitable contributions, confidentiality, insider dealing, human resources, data privacy, protection of the Group's assets, conflict of interests, use of the Group's means of communication copyright/computer software ownership, communication with the media and investors.

The Code of Ethics refers to the Corporate Instructions, which treat in more detail the defined rules and procedures put into place to ensure the compliance with its fundamental principles and values.

The Code of Ethics is regularly reviewed and updated. The last update was in March 2007. It has been translated in 17 languages and printed in 89,000 copies which have been largely circulated in all units for distribution to employees.

Internal Control Manual & Reporting and Accounting Manual

The Internal Control Manual defines the requirements, instructions and practices necessary to create and maintain a satisfactory control environment and covers internal controls including over financial reporting. The Internal Control Manual summarises the elements of internal control covering most of the Business processes within the Group, is posted on ALSTOM's Intranet site and regularly updated.

The Internal Control Manual contains a number of principles that are to be complied with at all times, including segregation of duties and delegation of authorities, which are mandatory for all Business units. The management of the respective entity, unit, Business, Sector, country or Corporate is responsible for developing, implementing, operating and monitoring systems of internal control in compliance with the Internal Control Manual and for providing assurance that it has done so.

The Reporting and Accounting Manual defines the Group's policies and procedures regarding accounting and consolidation, definition of main financial indicators, reporting process and Three-Year Plan, budget and forecasting processes.

Training and communication

An extensive communication exercise has been undertaken to ensure that the requirements and basics of Internal Control are widely understood.

A community of senior finance personnel involved in Internal Control (80 members in 2008) has been established three years ago as part of the Internal Control initiative. This community of practice intends to promote a culture change on internal control within ALSTOM. The purpose is to create, capture and share information and knowledge on internal control within our Sectors, Businesses and units and to enhance technical skills and capabilities of community members. Additionally, this community supports mission execution by solving problems, challenges, and reducing errors. This community enables its members to learn from one another and work in a way where continuous improvement and learning become commonplace. Tools have been put in place to support the activity of the community (yearly convention, regular meetings and conference call, forum, good practice repository, etc.). Internal Control matters are also covered in the Chief Financial Officer's quarterly newsletters.

As part of the internal control project, 1,200 persons were trained on internal control in 2005. A detailed training programme continues with over 320 finance professionals and managers trained in the past two years and up to 2,500 people participating in the Internal Control Self-Assessment Exercises.

The training sessions on Internal Control are part of a continuous improvement initiative which involves Sectors, including the International Network and Corporate personnel. While the training programme on Internal Control has concentrated mainly on the finance community, an e-learning module specifically targeting the non finance community has been developed.

INFORMATION AND REPORTING

The requirement to have accurate and complete information is essential both to achieve Business objectives and to report to all interested parties including external parties, in compliance with applicable securities laws and regulations. Internal control over financial reporting deals with internal control procedures in respect of the preparation and the processing of financial information. For financial information and reporting see "Procedures for the production of the Group financial statements and other accounting and financial information" hereafter.

RISK ASSESSMENT PROCESS – CARTOGRAPHY OF RISKS

The Group's risk assessment process allows consideration to be given to the extent that potential events have an impact on achievement of Business objectives. Such events are considered from two perspectives, likelihood and impact. Likelihood represents the possibility that a given event will occur and impact represents its effect. A combination of qualitative and quantitative methods are used in making the assessment.

Risk maps do not take into account opportunities which are channelled back through the Management strategy and objective setting process so that actions can be formulated to seize the opportunities available.

Data from past events are used in making risk assessments as it provides a more objective basis than entirely subjective assessments. Detailed information on potential impact and likelihood of occurrence is checked and assessed. Potential events are assessed both individually and as part of a sequence or combination of events.

The interrelationship of likelihood and impact is integrated into the risk assessment process. Risk is also considered from a Group, Sector-wide, or portfolio perspective.

Risks in different Businesses may, taken together, exceed the sum of the individual risks or conversely risks may be able to be offset across the Group or a Sector.

The time horizon used to assess the impact of risk is three years which ensure that identified mitigation actions are embedded in the budget and Three-Year Plan. Any major risks assessed outside the three year period are kept under review.

Sector and Corporate Management update this assessment as part of the budget and three year plan process. Detailed papers for each risk category are produced, highlighting the causes of the risks, and the actions taken to mitigate.

For each Sector, the risk assessments is approved by the management team under the control of the Sector President. Risk assessments for transverse Corporate activities is made by the relevant Senior Corporate officer. Group, Sector and Corporate risk maps are reviewed and approved by the Risk Committee under the Chairmanship of the Chairman and Chief Executive Officer.

CONTROL ACTIVITIES

Control activities are the range of activities that are undertaken at every level of the Group to ensure that the Group's rules, policies and procedures are effectively carried out.

These control activities may embrace a variety of controls including checking the accuracy, completeness, authorisation, validation and recording of transactions or to ensure the duties are segregated among different people to reduce the risk of error or fraud.

MONITORING OF INTERNAL CONTROL

The foundation of any system of internal control is to make sure, including at unit level, that responsibilities and authorities are defined and understood.

Segregation of duties involving internal check should be practiced at all times with one person required to check and approve the work of another. Separate people are required, where possible, to be responsible for initiating, authorising, recording, processing and reporting transactions, and are responsible for ensuring that recording is undertaken promptly and information is processed and reported in a timely manner. Documentation must exist to describe Business processes and it must be retained to confirm that amounts are promptly recorded at the correct amount in the appropriate accounts and in the proper accounting period.

Unit Management have the responsibility of maintaining internal check and internal control at all times.

An Internal Control questionnaire (or "self-assessment questionnaire") has been developed which differentiates requirements to units based on their contribution to the Group's financial statements using a risk-based approach and covering the complete Group perimeter. Units with the most contribution and/or risk must provide more information and answer more questions in the self-assessment questionnaire than those with less contribution or risk.

The self-assessment questionnaire is based on 13 cycles which include the general control environment.

The owner of each control activity within the cycle is required to answer questions relating to the relevant activity.

Each answer is assessed and rated based on a maturity model which takes into account the levels of control and completeness of documentation.

Detailed evidence is required to support answers given.

The self-assessment questionnaire includes the key information systems applications used in the production of financial information to help ensure the integrity of the process.

Where the results of the self-assessment questionnaire indicate that controls are not at the required level either in design or operation, action plans to correct are required to be put in place. Each action plan should have an owner and a detailed timetable to complete the required updating of the control which may include ensuring documentation is updated. The progress of action plans are regularly followed up.

The self-assessment questionnaire results are approved by unit Management, Finance and Managing Directors and are subject to review both by quality reviewers at Sector level and by Internal Audit. They are presented twice annually to the Audit Committee. Good practices identified during this self-assessment process are promoted.

Actors of internal control

AUDIT COMMITTEE

The Audit Committee reviews and evaluates two times a year the internal control procedures including those relating to financial information, contributing to the preparation of the financial statements of the Group.

A review and evaluation of the cartography of risk, including risk assessment and risk management is also made.

Within the Audit Committee, the scope of planned internal audit activities is reviewed in advance and the Internal Audit Department develops a four-year plan and determines the allocation of resources taking account of the perceived risk.

For more information regarding the Audit Committee, see pages 162 and 163.

SENIOR MANAGEMENT

The Chairman and Chief Executive Officer is responsible for the internal control system and for ensuring that internal control procedures are designed and operated effectively within the Group. Management at all levels is responsible for developing, operating and monitoring the systems of internal control and for providing necessary assurance that it has done so.

RISK COMMITTEE

The Corporate Risk Committee is chaired by the Chairman and Chief Executive Officer and aims to report on the main project risks both at tender stage and during execution, as well as internal audit matters.

The Corporate Risk Committee is composed of the Chairman and Chief Executive Officer, the Sectors' Presidents, the Chief Financial Officer, the General Counsel, the Vice President of Tenders and Projects Control, the Vice President Internal Audit, the Senior Vice President International Network and the Senior Vice President of Project and Export Finance, and meets on a monthly basis in order to:

- highlight risks essentially from major tenders reviewed in the preceding month and exceeding €50 million or deviating from defined criteria. The tenders reviewed by the Tenders and Projects Control Department are required to be approved by the Chairman and Chief Executive Officer or the Chief Financial Officer before the bid date;
- be briefed on the project reviews particularly those attended by the Tenders and Projects Control Department during the preceding month;
- review matters reported by Internal Audit and/or the International Network Department; and;
- be briefed on specific concerns, on topic *(e.g.* cartography of risk) which may arise from time to time and have an impact on the Sectors activity.

In a similar way, each Sector has established risk review procedures, which are consistent with the Group's principles. In particular, the relevant Sector's Management must be advised:

- of important changes occurring after tender submitted regarding tender assumptions and of the related impact on the assessment of relevant risks;
- of material changes within project execution which could impinge significantly on the project result.

Finally, the Internal Control Manual specifies that project reviews held within the Sectors must be minuted and must be held every three months for contracts which could have a major effect on the relevant unit's financial performance, or every six months in other circumstances.

INTERNAL AUDIT DEPARTMENT

The Vice President Internal Audit who is in charge of a 25-member Department reports to the Chairman and Chief Executive Officer and works in close cooperation with the Chief Financial Officer and the General Counsel.

The main role of the Internal Audit Department is to advise the Chairman and Chief Executive Officer and the Audit Committee on the adequacy and effectiveness of the internal control system in all phases of the Group's Business.

The Internal Audit Department operates in accordance with the terms of an Internal Audit Charter approved by the Audit Committee and has authority to examine any and all aspects of operations.

In particular, the Internal Audit Department evaluates controls that promote:

- compliance with applicable laws and with internal policies and procedures;
- physical safeguarding of assets including risk identification;
- availability, reliability, integrity, confidentiality of information and reporting;
- efficiency of Business processes, functions, and activities.

An additional role is to recommend improvement in Group's procedures and whenever possible promote good practices.

The Internal Audit Department takes into account the cartography of Risks and risk profiles in assessing its audit programmes.

The effectiveness and adequacy of internal controls and compliance with accounting policies and procedures are reviewed regularly by the Internal Audit Department. After each internal audit, a report is issued setting out the audit findings and recommendations. The Internal Audit Department reviews on each mission the results of the self-assessment questionnaire and supporting evidential files and includes comments on the status in its report. Copies of the report are given to the Managing Director and the Finance Director of the audited units and to Senior Management. The results are also summarised in an annual internal audit Report, which is presented to the Audit Committee on the overall results of the Internal Audits as well as on any other matter which affects internal control. This report provides the basis for the Audit Committee to review the effectiveness of the Internal Audit Department work.

Management must take adequate actions within a reasonable timeframe to correct deficiencies reported by the Internal Audit Department and to respond in a timely and appropriate manner to findings and recommendations of both Internal Audit Department and of the Independent Auditors regarding internal control and policies and procedures within the Group.

ALSTOM Internal Audit has been awarded IFACI certification on October 2007. IFACI is the French branch of the international Institute of Internal Auditors (IIA). This is the result of a long process launched at the end of 2005 with an external review of Internal Audit performance. The certification demonstrates that ALSTOM Internal Audit is compliant with the IIA Standards, including independence and objectivity, proficiency and due professional care, quality assurance and improvement programme, nature of work, communication of results.

DISCLOSURE COMMITTEES

The Chairman and Chief Executive Officer and the Chief Financial Officer have established Disclosure Committees at Corporate and Sector levels in order to assist them in evaluating the effectiveness of the Group's disclosure controls and procedures that are designed to ensure that material financial and other information required to be disclosed is recorded, processed, summarised and reported on a timely basis and that appropriate information is communicated to Management including the Chairman and Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding such disclosure.

The Corporate Disclosure Committee is composed of the Chief Financial Officer, the General Counsel, the Senior Vice President Internal Control, the Group Controller, the Vice President Tenders & Projects Control, and the Sectors SVP Finance.

Each Sector has established its own Disclosure Committee, which reports to the Corporate Disclosure Committee as to the results of its review of the disclosure controls and procedures and on its evaluation of the effectiveness within its Sector.

The Group Corporate Disclosure Committee met two times during fiscal year 2007/08 under the Chairmanship of the Chief Financial Officer. The consolidated financial statements for the fiscal year ended 31 March 2007 and the Management discussion and analysis and other financial information disclosed in the annual report were reviewed. The interim consolidated financial statements for the 6 months period to 30 September 2007 were reviewed. Reports from the Sector Disclosure Committees were received at each meeting. In the reviews of the consolidated financial statements the Committee considered the disclosures made to determine and confirm their relevance, accuracy, completeness and presentations.

FINANCE FUNCTION

The Finance function controls Business, operations and projects to optimise the Group's profitability and cash generation whilst providing internal and external stakeholders with reliable information including financial information.

The Finance function defines the Group's principles and financial policies in terms of tenders and projects control, funding, treasury, internal control, accounting, tax and management control, designs and leads key financial processes (three-year plan, budget, Business reviews) as well as reporting tools to determine and appraise Sectors' performance and analyses the Group's performance and produces the consolidated financial statements.

More specifically, the Accounting and Management Control Department:

- defines the formats, indicators, processes and timing for three-year plans, budgets and forecasts, analyses the Group's actual and forecasted performance and manages the Corporate budget;
- is responsible for designing and issuing the relevant accounting procedures, ensuring that they are in compliance with accounting principles and policies and producing consolidated and parent company financial statements, as well as financial information for external stakeholders. In particular:
  - defines the Group's accounting principles and procedures in compliance with "IFRS",
  - provides Sectors with instructions on accounting principles,
  - controls and investigates data consistency and compliance with the Group's accounting principles;
- the Funding and Treasury Department defines rules and procedures regarding cash management, currency risk hedging as well as bonds and guarantees. In addition, it manages the related risks (market, liquidity, foreign exchange and interest rate), the relationships with subsidiaries, the cash pooling structure and the netting process;
- the Tax Department defines the overall tax policy and planning for the Group and ensures proper compliance with regard to tax returns and payments.

INFORMATION SYSTEMS FUNCTION

A new Information Systems function has been created in October 2007, under the responsibility of the Finance function. The main objective of this new function is to provide operations with the right infrastructure and applications and ensure the consistency of new information systems.

A Chief Information Officer is leading the new function, being responsible for the Information Systems strategy definition and Information Systems function management priorities have been defined, like strengthen the governance model, reduce complexity of the Group information systems and Information Systems function organisation. A new Information Systems governance model is in place, to ensure a better consistency in the development of new applications and infrastructure.

Important projects are in progress, like the new integrated system for the Power Sectors and also the deployment of the Transport Sector core models. Information Systems security and Information Systems compliance are also a priority and specific plans to make sure the infrastructure and application landscape are robust, secure and compliant are in place.

Procedures for the production of the Group financial statements and other accounting and financial information

The accounts of reporting units are prepared in accordance with the Group's accounting policies.

The data is then adjusted, where necessary, to produce the local statutory and tax accounts. Integrated consolidation software is used for both management reporting purposes and also to produce the Group financial statements.

The main reporting processes facilitate consolidation of financial data to produce the consolidated financial statements, and forecast data as well as regular management information.

ACCOUNTING STANDARDS

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements comply with accounting policies as detailed in Note 3 of consolidated financial statements.

ACCOUNTS CLOSING PROCESS

The reporting units produce monthly statements which are used to determine the Group's monthly operating income, cash flow and balance sheet.

ROLE OF THE GROUP'S ACCOUNTING AND MANAGEMENT CONTROL DEPARTMENT

The list of entities to be consolidated or accounted for by the equity method/proportionate method is drawn up by the Group's accounting and management control Department. This Department also checks the quality of the reporting packages submitted by the units, focusing primarily on inter-company eliminations, and the accounting treatment of non-recurring transactions for the period, and movements between the opening and closing balance sheet used to prepare the statement of cash flows and reconciliations between legal entities and reporting entities.

The Department also checks the results of procedures, including conversions, inter-company eliminations, transfers to minority interests and recognition of the effects of changes in scope of consolidation.

The Group's consolidated financial statements are also analysed in detail, to understand and check the main contributions by Sectors, Businesses or subsidiaries, as well as the transactions reflected in the accounts.

Key control points include the preparation and validation of the statement of changes in shareholder's equity and the statement of cash flows.

FINANCIAL INFORMATION AND REPORTING

The Group's rules and procedures in relation to financial reporting and accounting are set out in the Internal Control Manual and the Reporting and Accounting Manual.

Application and compliance with these principles, rules and procedures are under the direct responsibility of each unit finance Director. All Finance Directors report directly to the financial officers of the relevant Business and Sector and ultimately to the Group Chief Financial Officer.

Unit Finance Directors must ensure that information that is provided *via* the Group accounting and reporting information system covering the complete Group perimeter fully reflects required disclosures, the results of the period and the financial position at the end of the period in question and they must send a written confirmation thereof.

More precisely, each reporting unit must send to the Group Consolidation Department an annual self-assessment return, along with a checklist, which must be individually signed off by the responsible Finance Director and Managing Director. This checklist covers in particular, but is not limited to, cash and bank reconciliations, project reviews, provision movements, inter-company balances, hedging instruments, bonds and guarantees and significant accounting estimates and entries.

In addition, a similar checklist must also be signed off by each Sector Senior Vice President Finance.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make various estimates and use assumptions regarded as realistic and reasonable. These estimates or assumptions could affect the value of the Group's assets, liabilities, equity, net profit and contingent assets and liabilities at the date of the financial statements. Management reviews estimates on an ongoing basis using currently available information; Actual results may differ from those estimates, due to changes in facts and circumstances.

For more information regarding the use of estimates and critical accounting policies, see Note 3.B to the consolidated financial statements for the fiscal year ended 31 March 2008.

Estimates of future cash flows reflect Management's current best estimate of the probable outflow of financial resources that will be required to settle contractual obligations. The estimates are therefore subject to change, due to changes in circumstances surrounding the execution of contracts.

Management reviews the effectiveness of internal control over financial reporting regularly, in particular to ensure the timeliness and accuracy of accounting for transactions and assets in circulation, it verifies that transactions have been recorded consistently, in accordance with IFRS as applied by the Group and as set out in the Reporting and Accounting Manual.

Paris, 6 May 2008

The Chairman of the Board of Directors

Independent Auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of ALSTOM company, on the internal control procedures relating to the preparation and processing of financial and accounting information

(Free translation into English of a French language original report prepared for convenience purpose only. Auditing standards and their application in practice vary from one country to another. Accordingly, the Independent Auditors' report – of which a translation is presented in this document for convenience only – are for use by those knowledgeable about French auditing standards and their application in practice. Such report should be read in conjunction and construed in accordance with French law and French auditing professional standards.)

Year ended 31 March 2008

To the Shareholders,

In our capacity as Independent Auditors of ALSTOM Company, and in accordance with Article L. 225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of the Board of Directors of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 March 2008.

It is for the Chairman of the Board of Directors to give an account, in his report, notably of the conditions in which the tasks of the Board of Directors are prepared and organized and the internal control procedures in place within the Company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report regarding the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board of Director's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, 7 May 2008

The Independent Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG ET AUTRES
Dominique Descours	Gilles Puissochet

Compensation of executive and non-executive Directors ("mandataires sociaux") and members of the Executive Committee

COMPENSATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS *("mandataires sociaux")*

(Information as per Article L. 225-102-1 of the French Commercial Code)

ALSTOM's executive and non-executive Directors are its twelve members of the Board, including the Chairman and Chief Executive Officer, who is the only managing executive Director of ALSTOM.

The remuneration of the Chairman and Chief Executive Officer

The remuneration of the Chairman and Chief Executive Officer is fixed by the Board of Directors upon the Nominations and Remuneration Committee's proposal and comprised of a fixed part and of a variable part.

Upon proposal of the Chairman and Chief Executive Officer and in compliance with AFEP/MEDEF recommendations, it has been decided to maintain unchanged the amount of the fixed part of the Chairman and Chief Executive Officer's remuneration and the range of his variable remuneration for three years as from the fiscal year 2006/07, *i.e.* until the end of fiscal year 2008/09.

The variable part of the remuneration varies along with the achievement of objectives for the fiscal year predetermined by the Board of Directors upon proposal of the Nominations and Remuneration Committee. These objectives are comprised of Group's performance objectives and specific qualitative objectives linked to the achievement of personal objectives. The achievement of these objectives and the amount of the variable part of the remuneration are then determined by the Board of Directors which approves the accounts for the fiscal year, upon the Nominations and Remuneration Committee's proposal after the evaluation of the Chairman and Chief Executive Officer's performance.

For fiscal year 2007/08, the objectives set are, on one side, the Group's financial objectives – free cash flow, operational margin, and level of margin in the backlog – and on the other hand, the specific objectives linked to the actions plans and to the fiscal year's priorities.

In case the set objectives are met, the variable remuneration represents 100% of the annual base salary, with the amount of the variable part linked to financial objectives representing 60% of the annual base salary and the variable part linked to the specific objectives representing 40% of the annual base salary. The amount of the variable part linked to financial objectives can vary between 0% and 120% and the amount of the variable part linked to specific objectives between 0% and 40%, depending on results achieved. Hence, the range of variable salary is between 0% and 160% of the annual base salary.

For fiscal year 2007/08, the fixed gross salary paid to the Chairman and Chief Executive Officer amounted to €1,035,000. This fixed gross salary, is identical to the amount paid for the previous fiscal year, and will remain unchanged for fiscal year 2008/09.

His variable gross salary was €1,500,000 that is 145% of his fixed gross salary compared to a variable remuneration "target" of 100% (remuneration paid when the results are strictly in line with the objectives set). As the financial results achieved were higher than the objectives set, the variable part linked to the financial objectives was fixed at 105% by the Board of Directors within the range 0-120% (compared to 60% if the results achieved have been strictly in line with the objectives set). The part corresponding to the specific objectives was fixed at the maximum of 40% in the 0-40% range.

For the previous fiscal year, his variable gross salary was €1,430,000 corresponding to 138% of his fixed gross salary for the said fiscal year.

The Chairman and Chief Executive Officer received conditional stock options and free performance shares within the plan decided by the Board of Directors during the fiscal year (see pages 184 and 188). The Board of Directors decided that within the framework of this plan, the Chairman and Chief Executive Officer must comply with a requirement to hold shares resulting from the exercise of stock options and final allocation of free shares until the expiry of his duties. Such requirement bears on a number of shares corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of the stock options and on the effective date of allocation of shares with respect to the free shares.

The Chairman and Chief Executive Officer benefits from a Company's car representing a benefit in kind of €5,794 per year.

He is also entitled to a supplemental retirement scheme which provides approximately, per year of service, a pension equivalent to 1.2% of the bracket of salary above 8 times the annual ceiling of French social security (€1,733,792 for year 2007) capped at €2 million. Since 1 January 2008, this cap is annually reviewed based on the evolution of the reference salary used for the determination of the supplemental retirement scheme AGIRC. All employees in France reaching this level of compensation are eligible to the scheme. The scheme is compound of a defined contribution plan and a defined benefit plan. The amount of contributions paid by ALSTOM within the defined contribution plan, was €20,772 for fiscal year 2007/08 and the defined benefit obligation is equal to €1,653,808 as at 31 March 2008, this amount includes legal retirement indemnities for retirement.

The Chairman and Chief Executive Officer also benefits from supplemental medical, death and disability coverage, which costs are partly borne by the Company.

Unless in the event of grave misconduct of Mr Patrick Kron, in the event of termination of his mandate as Chairman and Chief Executive Officer at ALSTOM's initiative as well as in case he decides to resign further to a takeover of ALSTOM by a third party, according to the terms of his mandate, he benefits from an indemnity equal to twice his latest gross annual global remuneration (fixed and variable parts of his remuneration).This commitment, which was initially authorised by the Board of Directors on 26 June 2007, was amended with the approval of the Board on 6 May 2008 such that, pursuant to the application of the provisions of Article L. 225-42-1 of the French Commercial Code as amended by the law No. 2007-1223 dated 21 August 2007, the payment of this indemnity is rendered subject to the condition that, over the three-year period preceding the date of the Chairman and Chairman and Chief Executive Officer's dismissal or resignation, the performance of the ALSTOM share on the stock exchange is higher than first quartile of the performance of the shares comprising the CAC Industrials index calculated by Euronext Paris. The first quartile corresponds to the performance under which 25% of the index share prices are located. The comparison shall be made on the opening date and on the expiry date of the three-year period, it being specified that the latter date be the last stock exchange day prior to the day of the dismissal or resignation enabling the determination of these closing prices. The payment of the indemnity shall be subject to the prior acknowledgment by the Board of Directors that the performance condition is met.

This commitment, as well as the other benefits arising upon the termination of the mandate of Mr Patrick Kron as Chairman and Chief Executive Officer referred to in Article L. 225-42-1 of the French Commercial Code, and authorised by the Board of Directors during its 26 June 2007 and 6 May 2008 meetings, are subject to the approval of the shareholders' meeting convened on 24 June 2008 and are presented in the Statutory Auditors' special report.

The other benefits arising upon the termination of the mandate pertain to the preservation of the additional retirement plan benefiting other Group employees in France whose annual base remuneration exceeds 8 times the social security ceiling amount referred to above, as well as the preservation of the stock options and the rights to a free allocation of shares granted to him over the course of his mandate under the following conditions.

Unless in the event of grave misconduct of Mr Patrick Kron, in the event of termination of his mandate as Chairman and Chief Executive Officer at ALSTOM's initiative as well as in case he decides to resign further to a takeover of ALSTOM by a third party, the Chairman and Chief Executive Officer shall also keep all stock options granted to him up to the termination, these stock options can still be exercised under the conditions and in accordance with the terms set forth by the rules of each stock option plan concerned. He shall also keep the right to the final delivery of all free shares which have been granted to him up to the termination but not yet delivered at the end of his mandate under the conditions and in accordance with the terms initially set forth by the rules of each free shares plan concerned.

Directors' fees paid to the Directors

The Directors do not receive any compensation other than an attendance allowance ("Directors' fees"). Since 1 April 2005, the Chairman of the Board of Directors waived his Directors' fees.

The Ordinary and Extraordinary Shareholders' Meeting of 26 June 2007 fixed at €650,000 the maximum annual amount of Directors' fees, which can be distributed among the members of the Board of Directors. This amount is in line with market practice and is around the average of the maximum amounts set by companies of the CAC 40 index.

The Board of Directors sets the terms of granting the Directors' fees upon the Nominations and Remuneration Committee's proposal. The principles set in the Internal Rules and Regulations of the Board is that the Directors' fees are made of a fixed part and of a variable part for attending the meetings of the Board or of the Committees and that the Chairmen of the Committees are paid an additional fixed fee. Half of the fixed and variable parts are paid in the fiscal year concerned, while the balance is paid during the following fiscal year.

According to the terms of granting applied for fiscal year 2007/08, the Directors' fees were made of a fixed part worth €17,500 paid to each Director with each Chairman of the Audit Committee and of the

Nominations and Remuneration Committee receiving an additional amount of €10,000 per year. In addition, each Director is paid €2,500 for attending the meetings of the Board or of the Committees of which she or he is a member.

Based on these terms, the total Directors' fees in respect of fiscal year 2007/08 are €428,750 (€365,000 for the last fiscal year), representing approximately two thirds of the maximum annual amount authorised. Half of the fixed and variable parts were paid in fiscal year 2007/08, while the balance was paid in fiscal year 2008/09.

Further to the CAC 40 companies practice review performed, upon the Nominations and Remuneration Committee's suggestion, the Board of Directors resolved to increase the fees as from fiscal year 2008/09, as follows:

- the fixed part is increased to €22,500 paid to each Director; The Chairman of the Audit Committee will receive an additional amount of €15,000 per year and the Chairman of the Nominations and Remuneration Committee will receive an additional amount of €10,000 per year;
- the variable part is increased to €3,000 for attending the meetings of the Board or of the Committees.

Evolution of compensation and benefits paid to executive and non-executive Directors ("mandataires sociaux")

The whole gross compensation and benefits of any kind paid (or due) for fiscal year 2007/08 and the two previous years by the Company and the companies controlled by the Company to the executive and non-executive Directors pursuant to Article L. 233-16 of the French Commercial Code, are listed in the table below:

	Due in respect of fiscal year 2005/06 (1)	Due in respect of fiscal year 2006/07 (3)	**Due in respect of fiscal year 2007/08 (3)**
(in €)	Gross compensation and benefits of any kind/Directors' fees*	Gross compensation and benefits of any kind/Directors' fees*	Gross compensation and benefits of any kind/Directors' fees*
Patrick Kron			
Fixed part	935,000	1,035,000	1,035,000
Variable part	1,300,000	1,430,000	1,500,000
Benefits in kind	5,010	5,729	5,794
Director's fees	-	-	-
Total	**2,240,010**	**2,470,729**	**2,540,794**
Jean-Paul Béchat	42,500	50,000	50,000
Candace Beinecke	37,500	40,000	42,500
Olivier Bouygues (4)	-	27,812	40,000
Georges Chodron de Courcel	37,500	35,000	37,500
Pascal Colombani	37,500	40,000	42,500
James B. Cronin (5)	37,500	40,000	11,875
Jean-Martin Folz (6)	-	-	23,125
Gérard Hauser	37,500	40,000	42,500
James W. Leng	42,500	47,500	50,000
Klaus Mangold (6)	-	-	23,125
Olivier Poupart-Lafarge (4) (7)	-	27,812	40,000
Alan Thomson (6)	-	-	25,625
Bouygues (8)	-	-	-

* Since 1 April 2005, the Chairman and Chief Executive Officer waived his Directors' fees. The other Directors only receive Directors' fees.

(1) Includes 2005/06 variable salary and Directors' fees related to fiscal year 2005/06 paid in fiscal year 2006/07.

(2) Includes 2006/07 variable salary and Directors' fees related to fiscal year 2006/07 paid in fiscal year 2007/08.

(3) Includes 2007/08 variable salary and Directors' fees related to fiscal year 2007/08 paid in fiscal year 2008/09.

(4) Directorship began on 28 June 2006.

(5) Directorship expired on 26 June 2007.

(6) Directorship began on 26 June 2007.

(7) Directorship expired on 18 March 2008.

(8) Director appointed on 18 March 2008 to replace Mr Olivier Poupart-Lafarge and whose permanent representative is Mr Philippe Marien.

Amount of compensations actually paid to executive and non-executive Directors in fiscal year 2007/08

(Information as per Article L. 225-102-1 of the French Commercial Code)

The following chart shows the gross amount actually paid to executive and non-executive Directors in fiscal year 2007/08, as per Article L. 225-102-1 of the French Commercial Code.

For the Chairman and Chief Executive Officer, the variable salary in respect of a fiscal year is paid on the following fiscal year. Therefore the variable salary in the table below is the variable salary in respect of fiscal year 2006/07 which was paid during fiscal year 2007/08. Half of the Directors' fees distributed among the other Directors are paid during the fiscal year and the remaining part during the following fiscal year, as shown in the table.

	Amounts paid during fiscal year 2007/08				
(in €)	Fixed gross salary	Variable gross salary	Benefits in kind	Directors' fees (2nd half of fiscal year 2006/07) paid in April 2007	Directors' fees (1st half of fiscal year 2007/08) paid in October 2007
Patrick Kron	1,035,000	1,430,000	5,794	-	-
Jean-Paul Béchat	-	-	-	23,750	26,250
Candace Beinecke	-	-	-	16,250	23,750
Olivier Bouygues				16,250	23,750
Georges Chodron de Courcel	-	-	-	13,750	18,750
Pascal Colombani	-	-	-	18,750	23,750
James B. Cronin (1)	-	-	-	18,750	11,875
Jean-Martin Folz (2)	-	-	-	-	4,375
Gérard Hauser	-	-	-	16,250	23,750
James W. Leng	-	-	-	21,250	28,750
Klaus Mangold (2)	-	-	-	-	9,375
Olivier Poupart-Lafarge (3)	-	-	-	18,750	21,250
Alan Thomson (1)	-	-	-	-	6,875
Bouygues (4)	-	-	-	-	-

(1) Directorship expired on 26 June 2007.

(2) Directorship began on 26 June 2007.

(3) Directorship expired on 18 March 2008.

(4) Director appointed on 18 March 2008 to replace Mr Olivier Poupart-Lafarge and whose permanent representative is Mr Philippe Marien.

COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The compensation of the Executive Committee members, excluding the Chairman and Chief Executive Officer, is decided annually by the Chairman and Chief Executive Officer and reviewed by the Nominations and Remuneration Committee. It consists of a fixed component and a variable component tied to the realisation of objectives determined at the beginning of the fiscal year.

For fiscal year 2007/08, the variable compensation is tied on the one hand, to the realisation of Group objectives related to free cash flow, operational margin and the level of margin in the backlog and also to the same objectives related to their only Sector for Sectors' Presidents, and on the other hand, to the realisation of specific objectives for each Sector or function. These specific objectives refer to the programmes of priority actions included in the budgets and strategic plans, and are evaluated by the Nominations and Remuneration Committee. If the set objectives are met, the financial objectives represent 30% and the specific objectives 20% of the annual base salary. The financial objectives can vary in a 0-60% range, and the specific objectives can vary in a 0-20% range, depending on performance. Therefore, the variable salary varies in a 0-80% range of the annual fixed salary.

Total compensation packages are tied to both the Company's financial performance and individual and team contributions. They are based on best practices within the industry, compensation surveys and advice from specialised international counsels.

The overall amount of the gross compensation due to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer's remuneration detailed on page 176, by the Company and the companies controlled by the Company within the meaning of Article L. 233-16 of the French Commercial Code in respect of fiscal year 2007/08 amounted to €4,316,400. The fixed component represents €2,435,900 (5 members of the Executive Committee concerned as of 31 March 2008, excluding the Chairman and Chief Executive Officer) and the variable component linked to the results of fiscal year 2007/08 represents €1,880,500 (5 members of the Executive Committee concerned as of 31 March 2008, excluding the Chairman and Chief Executive Officer).

The total corresponding amount paid in respect of fiscal year 2006/07 to the members of the Executive Committee (6 members of the Executive Committee concerned as of 31 March 2007, excluding the Chairman and Chief Executive Officer) was €4,303,999.

The members of the Executive Committee benefit from supplementary retirement schemes (defined contribution plan and defined benefit plan) in the countries where they are based.

The total amount of the defined benefit obligation as of 31 March 2008 for the members of the Executive Committee (except for the Chairman and Chief Executive Officer) is €3,719,000 including the legal retirement indemnities. The total amount of contributions paid by the Group, within the defined contribution plan, was €93,387 for the fiscal year 2007/08.

There are no amounts set aside or accrued to provide specifics benefits to members of the Executive Committee (including the Chairman and Chief Executive Officer) other than amounts to provide pension or similar benefits.

Interests of the officers and employees in the share capital

STOCK OPTIONS PLANS

Granting policy

Generally every year, the Company sets up a stock options plan in France and outside France within the framework of the authorisation granted by the General Shareholders' Meeting.

During the 2007/08 fiscal year, the long term incentive plan that was put in place combines for the first time a grant of conditional stock options and a grant of conditional free shares (see hereafter).

The Board of Directors grants stock options plans upon the proposal of the Nominations and Remuneration Committee, which reviews all terms of these plans, including the granting criteria.

The awards are made with a regular frequency, at the end of September each year.

In the USA managers receive, either stock options or "Stock Appreciation Rights" (SARs) instead, which are similar to stock options plans set up simultaneously but granting the managers the right to be paid in cash the difference in the value of ALSTOM share at the time of SARs grant and at the time of their exercise. The terms of the SARs plans are reviewed by the Nominations and Remuneration Committee.

Beneficiaries of stock options and SARs are generally selected among the executives of profit centres, functional executives, country presidents, managers of large projects and, more generally, holders of key salaried positions in the Company and its subsidiaries, which have made a significant contribution to the Company's results.

In 2007, these beneficiaries represent approximately 1,300 people corresponding to 2% of total Group's employees (same rate since 2004).

Apart from the members of the Executive Committee, the choice of beneficiaries and the number of options granted are based on the level of responsibilities and job performance of each person. Individual grants of members of the Executive Committee are based on the level of responsibilities and are in line with market practice. Their grants are made within the plan put in place annually; the characteristics of the options granted to members of the Executive Committee are similar to those of all the other grants.

Within the framework of the plan that was put in place during the 2007/08 fiscal year, the Board of Directors wanted to replace a portion of the allocation of stock options with a future allocation of free shares and render all of the allocated stock options and shares subject to performance criteria and presence within the Group.

The long term incentive plan ("LTI No. 10") decided on by the Board of Directors on 25 September 2007, pursuant to the Nominations and Remuneration Committee's proposal, is distinctive in that it combines an allocation of stock options, within the framework of stock options plan No. 10, and an allocation of free shares, within the framework of the 2007 free shares plan, and render the exercise of all options and the delivery of all free performance shares subject to identical performance and presence conditions (please refer to the characteristics of these plans described in the following pages).

In the United States, within the framework of this plan, a limited number of beneficiaries received conditional SARs instead of stock options, which explains why the number of stock options beneficiaries is not exactly identical to the number of free performance shares beneficiaries.

Compared to stock options plan No. 9 implemented in 2006, individual grants have been reduced to take into account the increase of the share price over the past year. As such, the 2007 plan bears on a total amount of conditional stock options (848,600 stock options granted) and conditional free shares (126,000 allocation rights granted) corresponding to 0.6% and 0.1%, respectively, of the share capital as of the grant date. The stock options plan in 2006 represented approximately 1.21% of the share capital as of the grant date.

Executive Committee's members (including the Chairman and Chief Executive Officer) received in 2007, 167,500 conditional options and 6,000 conditional free shares, representing 17.8% of the total number of options and free shares granted, 320,000 options in 2006 representing 19% of the total initial number of options granted.

The Company reserves the right to set up new plans in the future combining allotment of stock options (or SARs) and free shares, for amounts based on the level of responsibilities and job performance of the beneficiaries.

MAIN CHARACTERISTICS OF THE STOCK OPTIONS

For each plan, the options' subscription price, determined by the Board when the Board of Directors grants the options, has no discount. It corresponds to the average price of the shares during the twenty trading days preceding the day when the Board of Directors grants the options.

The option life of the plans is 10 years and the options are generally exercisable at the expiry of a vesting period of three years as from the grant date. In France, beneficiaries shall also keep the shares subscribed up until the expiry of a four-year period following the grant date.

Since 2004, over the four plans set up, three plans make the exercise of all or part of the options conditional to the achievements of Group's financial objectives (plans No. 7, 9 and 10). In 2006 and 2007, all the options granted are conditional (plans No. 9 and 10). These conditions are set forth in the table below. The plan No. 9 granted on 28 September 2006 made the exercise of 100% of the options awarded conditional upon the achievement of an operating margin above 7.5% for fiscal year 2007/08. This condition being met, all the options will be exercisable as from 28 September 2009.

As done in the past, the Company may continue to make the exercise of all or part of the future grants conditional to the achievement of performance conditions linked to the Group's financial objectives.

The exercise of options is also subject to the beneficiary satisfying the condition of seniority within the Group, with some exceptions. Plans No. 6, 7, 8 and 9 allow an early exercise before the expiry of the three-year vesting period in certain circumstances of change of control, among which in case of a public offering to buy and/or exchange the Company's shares.

REQUIREMENT TO HOLD THE SHARES APPLICABLE TO MEMBERS OF THE EXECUTIVE COMMITTEE – RULES OF CONDUCT

Pursuant to legislation currently in force, the Board of Directors set the rules for holding shares applicable to the Chairman and Chief Executive Officer within the framework of the conditional stock options plan No. 10 and the conditional free shares plan, both granted on 25 September 2007. These rules were also extended to the other members of the Executive Committee.

Therefore, for the entire period of time during which they perform their duties, the members of the Executive Committee must hold, in registered form, a number of shares resulting from the exercise of options and the free allocation granted on 25 September 2007 and corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of options and on the effective date of allocation of the free shares.

Moreover, rules of conduct applicable within the Group in case inside information is held, prevent any sale of shares, including shares obtained following exercise of stock options, during 30 calendar days before ALSTOM's first six-months and annual results are disclosed to the public (the period being reduced to 15 calendar days with respect to quarterly results) and up to the second trading day included after the date when this information has been disclosed to the public, and, in any case, when inside information is held until the second trading day after the date when this information has been disclosed to the public.

Summary of the main characteristics of the stock options plans granted

As of 31 March 2008, the total number of options that can be exercised according to the outstanding plans corresponds to 3.45% of the share capital as of such date.

The conditional stock option plan implemented during the fiscal year within the Long term Incentive Plan No. 10 amounts to a maximum of 848,600 shares to be issued (excluding any adjustments) representing around 0.6% of the Company's share capital as of the attribution date.

The main characteristics of all stocks option plans implemented by the Company and outstanding are summarised below. No other company of the Group has implemented stocks option plans giving right to the Company's shares.

	Plan No. 3	Plan No. 5	Plan No. 6	Plan No. 7 (conditional options)	Plan No. 8	Plan No. 9 (conditional options)	Plan No. 10 included in plan LTI No. 10 (conditional options)
Date of shareholders' meeting	24 July 2001	24 July 2001	24 July 2001	9 July 2004	9 July 2004	9 July 2004	26 June 2007
Date of Board meeting	24 July 2001	8 Jan. 2002	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
Initial exercise price (1)	€1,320	€523.60	€240	€17.20	€35.75	€74.66	€135
Adjusted exercise price (2) (3)	€819.20	€325.20	€154.40	€17.20	-	-	-
Beginning of stock options exercise period	24 July 2002	8 Jan. 2003	7 Jan. 2004	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	25 Sept. 2010
Expiry date	23 July 2009	7 Jan. 2010	6 Jan. 2011	16 Sept. 2014	26 Sept. 2015	27 Sept. 2016	24 Sept. 2017
Number of beneficiaries	1,703	1,653	5	1,007	1,030	1,053	1,196
Total number of options (adjusted if any) (2) (3)	164,490	166,695	47,414	2,783,000	1,401,500	1,683,750	848,600
Total number of exercised options	0	0	0	1,631,862	33,500	27,500	0
Total number of cancelled options (2) (3)	83,147	83,925	7,773	233,500	59,000	42,500	1,900
Number of remaining options to be exercised as of 31 March 2008 (2) (3)	81,343	82,770	39,641	917,638	1,309,000	1,613,750	846,700
Percentage of capital as of 31 March 2008 that may be created	0.057%	0.058%	0.028%	0.646%	0.924%	1.139%	0.597%
Number of shares that may be subscribed by members of the Executive Committee (2) (3)	2,016	2,739	38,863	79,500	232,500	292,500	167,500
Terms of exercise/ Performance conditions (4)	• 1/3 of options can be exercised from 24 July 2002 • 2/3 of options can be exercised from 24 July 2003 • All options can be exercised from 24 July 2004	• 1/3 of options can be exercised from 8 January 2003 • 2/3 of options can be exercised from 8 January 2004 • All options can be exercised from 8 January 2005	• 1/3 of options can be exercised from 7 January 2004 • 2/3 of options can be exercised from 7 January 2005 • All options can be exercised from 7 January 2006	• 100% of options can be exercised from 17 September 2007, upon the following conditions being met: the exercise of 50% of options granted beneficiary was conditional to 2 targets being met at the 2005/06 financial year closing; the targets have been met: a positive free cash flow of the Group and a Group operating margin above or equal to 5% as per IFRS rules	• 100% of options can be exercised from 27 September 2008	• 100% of options can be exercised if the 2007/08 Group operating margin (the "2007/08 Margin") is above 7.5% • 80% of options can be exercised if the 2007/08 Margin is between 7% (included) and 7.5% (excluded) • 40% of options can be exercised if the 2007/08 Margin is below 7% As the 2007/08 Margin is above 7.5%, 100% of the options will be exercisable.	• 100% of options can be exercised from 25 September 2010 if the 2009/10 Group operating margin (the "2009/10 Margin") is equal or above 8.5%. • 80% of options can be exercised if the 2009/10 Margin is between 8% (included) and 8.5% (excluded) • 40% of options can be exercised if the 2009/10 Margin is between 7.5% (included) and 8% (excluded) • no option can be exercised if the 2009/10 Margin is below 7.5%

(1) Subscription price without discount corresponding to the average opening price of the shares during the 20 trading days preceding the day on which the options were granted by the Board. For plans No. 3, 5, 6 and 7, the initial exercise prices have been multiplied by 40 to take account of the Company's share consolidation of 3 August 2005.

(2) Option plans No. 3, 5 and 6 have been adjusted in accordance with French law as a result of the consummation of transactions that had an impact on the share capital in 2002, 2003 and August 2004.

(3) Option plans No. 3, 5, 6 and 7 have been adjusted to consider the Company's share consolidation of 3 August 2005: a new share with a nominal value of €14 for 40 old shares with a nominal value of €0.35.

(4) The exercise is also subject to employment condition within the Group unless exception.

Stock options granted to ALSTOM's Corporate officers during fiscal year 2007/08 and options exercised by them

OPTIONS GRANTED

A total of 57,500 options was granted to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the only managing executive *("mandataire social dirigeant")* of the Company, under stock options plan No. 10.

The total number of options granted under plan No. 10 to all the beneficiaries have been valued by an independent expert at €20,668,588. On this basis, the valuation of the individual grant to Mr Kron amounts to €1,679,000 corresponding to 8.12% of the total accounting charge.

The Company has granted no options to any other Directors during fiscal year 2007/08 or under plans previously implemented by the Company.

OPTIONS EXERCISED

During the fiscal year, Mr Patrick Kron exercised 187,500 options granted under stock options plan No. 7 granted in 2004, giving rise to delivery of 187,500 shares.

SUMMARY OF THE TOTAL NUMBER OF STOCK OPTIONS HELD BY MR PATRICK KRON AS OF THE END OF THE FISCAL YEAR 2007/08

	Number of options	Unit exercise price (in €)	Maturity date of options
Plan No. 6	29,146	€154.40	6 January 2011
Plan No. 8	95,000	€35.75	26 September 2015
Plan No. 9	120,000*	€74.66	27 September 2016
Plan No. 10	57,500**	€135	24 September 2017

* Among which 72,000 options are conditional (this condition was met as of 31 March 2008).

** 100% of the options are subject to Group's performance conditions and a portion of the shares subscribed as a result of these options are subject to a holding requirement until the expiry of Mr Patrick Kron's duties.

Stock options granted during fiscal year 2007/08 to the ten employees who are not ALSTOM's Corporate officers and who received the largest number of options

A total of 132,500 conditional options was granted to the ten employees who received the greatest numbers of options (other than *"mandataires sociaux")* under stock options plan No. 10.

Stock options exercised during fiscal year 2007/08 by the ten employees who are not ALSTOM's Corporate officers and who exercised the largest number of options

	Number of shares subscribed	Average share price (1) (in €)
Total number of options exercised during the fiscal year by the ten first employees who exercised the largest number of options	253,000	17.20

(1) Relates to exercise of options of plan No. 7 (exercise price per share: €17.20).

FREE SHARES PLANS

Attribution policy

The Board of Directors decides free allocation of shares upon the proposal of the Nominations and Remuneration Committee, which reviews all terms of these plans, including the granting criteria. As for stock options and stock appreciation rights (SARs) awards, the objectives of free shares attributions are to motivate, retain and reward employees and to associate them with the future performance of the Company through the evolution of the share value.

Three free shares plans have been put in place by the Company, including one within the employee share purchase scheme "ALSTOM Sharing 2007".

Generally speaking, the shares are allocated following an acquisition period of 2 years in France or 4 years outside of France, subject to satisfying performance requirements and employment conditions within the Group.

The shares must then be held for at least two years by those allottees who are residents of France or subject to a French social security regime as of the effective date of allocation of the shares.

The 2006 Plan

This plan consists in the final allocation, at the end of a two-years period, of twelve shares to each and every employee of the Group with at least 6 months seniority at the attribution date, which was subject to the condition that two main targets were met by the end of the 2005/06 fiscal year: a 5% operational margin (as per IFRS rules) and a positive free cash flow. The Board of Directors, acting within the authorisation from the General Shareholders' Meeting of 12 July 2005 and upon the Nominations and Remuneration Committee's proposal, further to its decision in principle taken on 16 November 2005 to proceed to this allocation, noted, in its meeting of 16 May 2006, that this condition had been met and therefore assigned the free shares on this basis and set all the terms and condition of the allocation.

The terms and conditions initially set by the Board allowed for the effective delivery of the shares on 19 May 2008 after an acquisition period of two years followed by a two-year holding period of the shares.

The Board also decided in those countries where the assignment of free shares would be hard or impossible, to pay the equivalent in cash of these twelve shares to the employees.

In total, 57,305 people benefited originally from the 2006 Plan.

During the 2007/08 fiscal year, the Board of Directors carried out the decision of the shareholders' meeting dated 26 June 2007 to offer employee beneficiaries of the non-French subsidiaries in certain countries the option of opting for a two to four year extension of the acquisition period with no subsequent holding period of the shares (with the exception of the case in which the beneficiary is a French resident or subject to a French social security regime as of the grant date).

As such, depending on the countries, the shares will be effectively delivered to beneficiaries either on 19 May 2008 after the initial two-year acquisition period (which will be followed by a two-year holding period of the shares) or on 19 May 2010 after a four-year acquisition period followed by no holding period, subject to the condition that the beneficiary is still part of the ALSTOM Group following the acquisition period.

These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

Based on information available as of today:

- 38,617 people have received on 19 May 2008 delivery of twelve shares corresponding to a total number of 463,404 shares, created on 19 May 2008; These shares will be freely sellable as from 20 May 2010;
- 4,750 people in 9 countries should receive on 20 May 2010 delivery of twelve shares freely sellable corresponding to a total maximum number of 57,000 shares, to be created on such date;
- 10,267 people in 42 countries should receive the cash equivalent of the twelve shares evaluated and paid at the end of a four-year period on 16 May 2010.

The cost of this free allocation of shares has totally been provided for in the accounts of fiscal year 2005/06.

The 2007 Plan

On 25 September 2007, the Board of Directors, acting under the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of 26 June 2007, and upon proposal of the Nominations and Remuneration Committee, decided to undertake a plan to motivate and in still long term loyalty in a certain number of Group executives. This plan includes the allocation of conditional stock options (stock options plan No. 10) and the conditional allocation of free Company shares.

As for the conditional stock options, the definitive allocation of the free shares to beneficiaries is subject to the conditions associated with the Group's performance at the 2009/10 fiscal year end being met and conditions associated with the executive's presence within the Group, save in exceptional cases as provided for in the plan.

As such, the plan renders the effective allocation of 100% of the shares subject to the achievement of an operating margin for the 2009/10 fiscal year that is higher than 8.5%. If the Group's operating margin for the 2009/10 fiscal year is between 8% (included) and 8.5% (excluded), 80% of the shares will be effectively allocated, it being specified that this percentage is reduced to 40% if the operating margin is between 7.5% (included) and 8% (excluded) and that no shares will be allocated if the operating margin is less than 7.5%.

While subject to these set conditions being satisfied, the definitive allocation of shares can occur (with the exception of the occurrence of an early definitive allocation) following an acquisition period ending, for beneficiaries residing in France, on the day the Group's consolidated financial results for the 2009/10 fiscal year are published and, for the beneficiaries who do not reside in France, four years following the date upon which the Board of Directors allocated the shares, subject to the beneficiaries' presence within the Group, save in exceptional cases as provided for in the plan. For French residents and/or persons subject to a French social security regime, the acquisition period will be followed by a two-year period during which the shares cannot be sold.

The conditional allocation of free shares bears on a maximum number of 126,000 new shares to be issued (excluding possible future adjustments), corresponding to approximately 0.10% of the Company's share capital as of the attribution date.

With respect to the Chairman and Chief Executive Officer and the other members of the Executive Committee, the Board of Directors decided that, over the course of the time period during which they perform their duties, they must hold a number of allocated shares corresponding to 25% of the net theoretical gain (before taxes and social security withholdings) as of the effective date of allocation of the shares.

The characteristics of this allocation are summarised on page 187.

As done in the past, the Company may decide to have future awards conditional upon the achievement of performance conditions linked to the Group's financial objectives, in addition to any other conditions.

Free shares plan for the subscribers outside France to "ALSTOM Sharing 2007" offer

Within the employee share purchase scheme called "ALSTOM Sharing 2007" reserved for Group employees and former employees in 19 countries including France, implemented during the fiscal year 2007/08, the Board of Directors decided that the employees outside France subscribing to the "leverage" formula will receive, instead of the employer company match offered to the subscribers to this formula in France, shares allocated for free by ALSTOM, on the basis of one free share for each FCPE unit or share subscribed (depending on the case) by a given participant under the "leverage" formula, up to a maximum of 4 free shares per participant.

After having declared the completion of the capital increase reserved for members of the *plan d'épargne Groupe* ALSTOM (the ALSTOM Group Savings Plan, or PEG) and of the capital increase reserved for the Company "Sharing Plus" proposed within the framework of the ALSTOM Sharing 2007 offering, the Board of Directors, acting pursuant to the powers granted to it by the shareholders' meeting held on 26 June 2007, decided on 18 March 2008 to carry out this free allocation, the principle of which was agreed to on 25 September 2007 and, consequently, decided that a maximum number of 51,336 new shares of par value €14 each to be issued by the Company would be allocated for free to subscribers of the "leverage" formula of the ALSTOM Sharing Plus 2007 offering in Australia, Belgium, Brazil, Canada, China, Germany, India, Italy, Malaysia, Mexico, The Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States, within the proportions mentioned above.

These free shares will be delivered to the participants on 1 July 2013, after the acquisition period ending on 30 June 2013 provided that the employee is still part of the ALSTOM Group, save in exceptional cases as provided for in the plan. At that time, participants may sell the free shares freely, except for beneficiaries residing in France or subject to a French social security regime as of the date the shares are delivered. Indeed, following the acquisition period, these latter beneficiaries will be subject to a two-year period during which the shares cannot be sold.

These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

Summary characteristics of the outstanding free shares plans

	2006 Plan (conditional allocation)	2007 Plan (LTI No. 10) (conditional allocation)	ALSTOM Sharing 2007 Plan
Date of shareholders' meeting	12 July 2005	26 June 2007	26 June 2007
Date of Board meeting	16 November 2005/ 16 May 2006/18 March 2008	26 September 2007	26 September 2007/ 18 March 2008
Initial number of beneficiaries	57,305 people of whom 47,038 beneficiaries of shares and 10,267 beneficiaries of the cash equivalent	1,289 beneficiaries	13,400 beneficiaries exclusively outside France
Initial number of rights entitling their holders to an allocation of shares	564,456 shares	126,000 shares	51,336 shares
Number of remaining rights as of 31 March 2008 entitling their holders to an allocation of shares	520,404 shares	123,380 shares	51,336 shares
Final delivery of the shares	19 May 2008 for 463,404 actions 19 May 2010 for 57,000 actions	• For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2009/10 (e.g. May 2010) • For beneficiaries of companies outside France: 26 September 2011	1 July 2013
Percentage of capital as of 31 March 2008 that may be created	0.37%	0.09%	0.04%
Number of shares that may be delivered to members of the Executive Committee	60 shares	6,000 shares	4 shares
Performance conditions (1)	Allocation implemented after two main targets were met by the end of the 2005/06 fiscal year: a 5% operating margin (as per IFRS rules) and a positive free cash flow	• 100% of the shares delivered if the 2009/10 Group operating margin (the "2009/10 Margin") is equal to or above 8.5% • 80% of the shares delivered if the 2009/10 Margin is between 8% (included) and 8.5% (excluded) • 40% of the shares delivered if the 2009/10 Margin is between 7.5% (included) and 8% (excluded) • No shares delivered if the 2009/10 Margin is below 7.5%	N/A
Shares retention period	• For shares delivered on 19 May 2008: 2 years • For shares delivered on 19 May 2010: N/A (unless exception set forth by the plan)	2 years, except for shares to be delivered on 26 September 2011 unless exception set forth by the plan (2)	N/A (unless exception set forth by the plan)

(1) The final allocations have also been made subject to conditions of employment within the Group, unless any exceptions set forth in the plan.

(2) A specific holding requirement applies to members of the Executive Committee (please refer to page 186).

4 Corporate Governance

Free allocation of shares to ALSTOM's Corporate officers during fiscal year 2007/08

A total of 1,000 conditional free shares was granted to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the only managing executive *("mandataire social dirigeant")* of the Company, under Plan 2007.

The total number of conditional free shares granted under Plan 2007 to all the beneficiaries have been valued by an independent expert at €13,239,264. On this basis, the valuation of the individual grant to Mr Kron amounts to €105,000 corresponding to 0.79% of the total accounting charge.

The Company has granted no conditional free shares to any other Directors during fiscal year 2007/08 or under Plan 2006 previously implemented by the Company.

SUMMARY OF THE NUMBER OF RIGHTS HELD BY PATRICK KRON AS OF THE END OF THE FISCAL YEAR 2007/08 ENTITLING HIM TO A FREE ALLOCATION OF SHARES

Plans	Number of free shares	Unit valuation (in €)	Final attribution date of the shares
2007 Plan*	1,000*	€105	On the fifth business day following the date of publication of the consolidated accounts for fiscal year 2009/10

* Entirely conditional allocation for which a portion of the shares is subject to a holding requirement until the expiry of Mr Patrick Kron's duties.

Free shares allocated during fiscal year 2007/08 to the ten employees who are not ALSTOM's Corporate officers and who received the largest number of free shares

A total of 7,400 conditional free shares was granted to the ten employees who received the greatest numbers of conditional free shares (other than *"mandataires sociaux")* under Plan 2007.

A total of 40 free shares was granted under "ALSTOM Sharing 2007" offering to the ten employees who received the greatest numbers of free shares (other than *"mandataires sociaux")* under this offering.

EMPLOYEE PROFIT-SHARING

All the French subsidiaries of the Group to which the French law of 7 November 1990 applies have entered into employee profit sharing agreements. The amounts paid in respect of the French statutory employee profit sharing agreements over the last three years are as follows:

Fiscal year ended 31 March (in € million)	2005	2006	2007
Statutory employee profit sharing agreements	1	9.3	12.5

As of today, approximately ten French subsidiaries have entered into a specific profit sharing plan ("accord d'intéressement"). The amounts paid in respect of fiscal year 2007/08 are not yet known to date, because they depend on a series of criteria defined in profit sharing plans applicable for each subsidiary, the final result of which are known within six months as from the end of fiscal year, i.e. 30 September of each year. The amounts paid in respect of profit sharing plans for the past three fiscal years are as follows:

Fiscal year ended 31 March (in € million)	2005	2006	2007
Specific employee profit sharing plans	9.5	15.6	25.5

Since its initial public offering and first listing, the Company implemented three share capital increases reserved for the employees participating in the ALSTOM Group Savings Plan. For the first one realised concurrently with the first listing in 1998, a total of 2,941,869 shares were issued at a price of FRF167 per share (corresponding, after the share consolidation of 3 August 2005, to the equivalent of 73,546 new shares issued at the price of €1,018.36 per share).

In August 2000, a capital increase reserved for employees of the Company and its subsidiaries participating in the ALSTOM Group Savings Plan was approved for fiscal year 2000/01. As a result of this share capital increase, 1,689,056 new shares, with a nominal value of €6 per share, were issued at €24 per share *(i.e.,* after consolidation, 42,226 new shares at €960 per share). These two operations have been directly subscribed by the employees.

In November 2004, a new capital increase was offered to the Company's employees (as well as to its former employees) in eight countries including France. Around 13,000 employees have subscribed this capital increase through a mutual fund in France and directly in the other countries. The capital increase brought in the subscription of 49,814,644 shares at a nominal value of €0.35 each and issued at €0.35 per share (corresponding, after consolidation, to 1,245,366 new shares at €14 per share); the shares were offered with an employer matching contribution (for employees only) of €0.135 per old share with a maximum amount of €810 per subscriber.

During fiscal year 2007/08, a new employee share purchase scheme called "ALSTOM Sharing 2007" reserved for Group employees (and former employees) with three months' seniority was offered in

19 countries including France, representing approximately 90% of the Group's payroll. A total of 1 million shares were offered under both a formula known as "leverage" formula and a "classic" formula and this offering for the subscription of shares was conducted within the framework of the ALSTOM Group Savings Plan (hereinafter referred to as the "PEG").

Approximately 32% of the Group's eligible permanent employees (or approximately 18,800 employees) have subscribed to this capital increase, either through direct shareholding or *via* a *fonds commun de placement d'entreprise* (French employee shareholding vehicle, or "FCPE"), depending on the countries. The capital increase brought in the subscription of 350,012 shares with a par value of €14 each, corresponding to a capital increase par value amount of €4,900,168 and issued at a price of €113.93 per share, which includes a 20% discount relative to the average of the first prices of the ALSTOM share during the twenty trading days preceding the fixing of the price.

The shares or FCPE units subscribed will remain locked up to 30 June 2013, with the exception of the occurrence of early exit events.

In France, the employees subscribing to the "leverage" formula benefited from an employer matching contribution in an amount corresponding to the amount of their own personal contribution, which was limited to the subscription of 4 shares at the subscription price. Outside of France, this employer matching contribution has been replaced by shares allocated for free by the Board of Directors in its meeting of 18 March 2008, on the basis of one free share for each FCPE unit or share subscribed by a given participant under the "leverage" formula, up to a maximum of 4 free shares per participant. These free shares will be created and delivered on 1 July 2013 (see page 186 on this free allocation of shares).

Within the framework of the "leverage" formula, the leverage mechanism offered by the partner bank in certain cases took the form of an allocation of Stock Appreciation Rights (SARs) by the employer. Consequently, the transaction gave rise to a capital increase reserved for Sharing Plus, a company held by the credit institution participating in the offering, at the Company's request, for the implementation of the "leverage" formula in certain countries outside of France. This capital increase bears on the subscription of 256,808 shares of a par value of €14 each, issued at the unit price of €113.93, and representing a par value capital increase amount of €3,595,312.

These capital increases were completed on 20 February 2008.

As of 31 March 2008, the Group's employees and former employees hold approximately 1.09% of the Company's share capital, either directly or through a fund ("FCPE").

SUMMARY OF THE OPERATIONS OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS OR PEOPLE MENTIONED IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE ON THE SECURITIES OF THE COMPANY PERFORMED DURING FISCAL YEAR 2007/08

The following transactions have been declared by the persons concerned:

Notifying person	Financial Instrument	Type of operation	Number of operations	Amount of operations
Patrick Kron, Chairman and Chief Executive Officer	Shares	Subscription	4	€3,225,000
	Shares	Exchange (143 shares in exchange of 4,560 bonds redeemable into shares)	1	-
Candace Beinecke, Director	Shares	Acquisition	1	€28,535
Pascal Colombani, Director	Shares	Acquisition	2	€27,247
Walter Graenicher, Member of the Executive Committee, President of Power Service Sector	Shares	Subscription	4	€688,000
	Shares	Sale	4	€5,678,300
Gérard Hauser, Director	Shares	Acquisition	1	€27,000
James W. Leng, Director	Shares	Acquisition	1	€71,897
Philippe Mellier, Member of the Executive Committee, President of the Transport Sector	Shares	Subscription	2	€954,600
Henri Poupart-Lafarge, Member of the Executive Committee, Chief Financial Officer	Shares	Subscription	3	€774,000
Bouygues SA, Director	Shares	Acquisition	2	€14,453,594.20

Related party agreements and undertakings

During the course of the fiscal year ended on 31 March 2008, the Board of Directors, at its meeting dated 26 June 2007 during which the mandates of the Chairman and Chief Executive Officer Mr Patrick Kron were renewed, decided to continue to maintain previous commitments made to Mr Patrick Kron (unless in the event of grave misconduct) in the event that his mandate is terminated either by the Company or at his own initiative following a change in control of the Company, including the payment of a severance indemnity.

Then, the Board of Directors, at its meeting dated 6 May 2008, authorised the amendments to the terms of the commitment relative to the severance indemnity, in order to render it compliant with the provisions of Article L. 225-42-1 of the French Commercial Code as modified by law No. 2007-1223 of 21 August 2007. Such provisions require that the payment of this indemnity be subject to the satisfaction of “conditions linked to the beneficiary’s performance”.

These commitments are presented on page 177 of this section.

These commitments referred to in Article L. 225-42-1 of the French Commercial Code, as well as the agreement that was entered into during the 2006/07 fiscal year and that continued have an effect over the course of the 2007/08 fiscal year were sent to the Independent Auditors who will present pursuant to the provisions of Articles L. 225-38 *et seq*. of the French Commercial Code, their special report to the shareholders’ meeting convened on 24 June 2008. This special report is presented on page 137.

Independent **Auditors**

INDEPENDENT AUDITORS

Ernst & Young et Autres

represented by Mr Gilles Puissochet
41, rue Ybry
92576 Neuilly-sur-Seine Cedex

Deloitte & Associés

represented by Mr Dominique Descours
BP 136
185, avenue Charles-de-Gaulle
92203 Neuilly-sur-Seine Cedex

The Independent Auditors were appointed by the Ordinary General Meeting on 26 March 1998; their term of office has been renewed by the Ordinary General Meeting of 2 July 2003 for six fiscal years and it will expire when the Ordinary General Meeting will be called to review the accounts for fiscal year 2008/09.

DEPUTY AUDITORS

Mr Pascal Macioce

41, rue Ybry
92576 Neuilly-sur-Seine

BEAS (SARL)

7-9, villa Houssay
92954 Neuilly-sur-Seine

The Deputy Auditors were appointed by the Ordinary General Meeting of 2 July 2003 for six fiscal years expiring when the Ordinary General Meeting will be called to review the accounts for fiscal year 2008/09.

INDEPENDENT AUDITORS' FEES

	Fiscal year 2006/07				Fiscal year 2007/08			
	Ernst & Young et Autres		Deloitte & Associés		Ernst & Young et Autres		Deloitte & Associés	
(in € million)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Independent Auditors diligence, certification, review of individual and consolidated accounts	8.3	81	8.0	87	9.7	87	8.5	82
• ALSTOM	1.2	13	1.2	14	1.2	11	1.3	13
• Controlled entities	6.6	67	6.8	77	8.5	76	7.2	72
Other audit diligence and audit related services	1.6	15	0.8	9	1.3	10	1.5	14
• ALSTOM	0	0	0	0	0	0	0.1	1
• Controlled entities	1.6	16	0.8	9	1.3	10	1.4	14
Sub-total	**9.9**	**96**	**8.8**	**96**	**11.0**	**97**	**10.0**	**96**
Legal, tax, social*	0.4	4	0.4	4	0.3	3	0.4	4
Information technology	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	**0.4**	**4**	**0.4**	**4**	**0.3**	**3**	**0.4**	**4**
Total	**10.3**	**100**	**9.2**	**100**	**11.3**	**100**	**10.4**	**100**

* Principally outside France.

AUDIT CHARTER

In June 2003, ALSTOM and its Audit Committee outlined and formalised with ALSTOM's External Auditors an audit charter to be applied until 31 March 2009 when the current Auditors' engagement comes to an end.

This charter defines the Group's external audit process under the various applicable laws and rules. By signing it, the parties officially commit themselves to respecting the said charter and to aiming for more transparency and efficiency.

The main rules defined apply to the following topics:

- assignment split on par between both auditing firms;
- fee split aiming for a par between both firms;
- relationship and restitution between ALSTOM's External Auditors and the Audit Committee;
- relationship between the External and the Group's Internal Auditors;
- defining the assignment process of other project to be potentially handled by the Auditors;
- reminder of prohibited assignments.

This charter is regularly updated especially in case of changes of legal and regulatory provisions.

5 SUSTAINABLE DEVELOPMENT

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The section below includes information as per Article L. 225-102-1 of the French Commercial Code and the decree and order of 20 February and 30 April 2002 respectively.

During fiscal year 2007/08, the Group continued to implement consolidated indicators for all its sites to assess the social and environmental impacts of its operations. Certain indicators are not yet available on a consolidated basis or have been considered irrelevant with regard to the Group's diversified operations or due to difficulties in adopting standard definitions for all sites worldwide. In such cases, they have not been mentioned or have been limited in scope, which is then specified.

Sustainable development

Sustainable development is a natural part of the Group's operations: ALSTOM develops power generation and rail transport solutions that are crucial to economic development and social progress around the world. These activities take into account sustainable development issues, particularly with regard to improving quality of life and the future of the planet, by optimising the use of natural resources and limiting emissions of greenhouse gases.

All people involved in economic development are becoming increasingly aware of the challenges related to the global population growth. Today, the Group's customers and partners, along with government bodies and the general public, expect solutions that "meet the needs of current generations without compromising the ability of future generations to meet their own needs" (definition of sustainable development given by the Brundtland Commission in 1987).

ALSTOM AND THE ENVIRONMENTAL ASPECT OF SUSTAINABLE DEVELOPMENT

Future generations will face the scarcity of natural resources, particularly with regard to fossil fuels, and the need to manage emissions of gases and other pollutants with long-term effects on the environment and the world's climates.

While current generations need to provide power to over a billion people who do not have access to electricity, future generations will face the prospect of a booming population (expected to reach nine billion people by 2050) and the resulting demand for power and transport.

Emissions of CO_2 and pollutants in power generation and transport

Approximately 40% of the world's CO_2 emissions come from electricity production and approximately 20% from transport (largely road-based). CO_2 is seen as one of the main greenhouse gas responsible for climate changes.

The international community and in particular the European Commission have set objectives to reduce these emissions. The European Commission has set three targets by 2020: cut greenhouse gas emissions by 20%, reduce by 20% the energy intensity and reach a 20% ratio of energy generated from renewable sources.

ALSTOM is a major contributor to these efforts, offering a wide range of diversified solutions, starting with the improvement of the efficiency of power plants, which reduces the use of fossil fuels and limits greenhouse gas emissions. Other advances include developing CO_2 capture technologies, providing ways to reduce air pollution caused by sulphur oxide, nitrogen oxide and mercury, and promoting hydro and wind power solutions.

The development of rail transportation reduces the use of other more polluting modes of transport. ALSTOM offers innovative technologies to increase train capacity and to reduce its energy consumption, *i.e.* by using composite materials, improving the efficiency of traction systems and enhancing the configuration of trains to reduce mass. MF2000 metros, which are gradually being introduced in Paris, consume 30% less electricity than their predecessors.

THE ENERGY EFFICIENCY OF COAL-FIRED PLANTS

With regard to new equipment, energy efficiency means primarily finding ways to handle increasingly high temperatures in the steam cycle. The next step of these advanced cycles targets temperatures of 700°C, which would bring energy efficiency to 50% by 2020, thereby reducing CO_2 emissions by over 40% compared to average global emissions from coal-fired plants currently in operation, which have an average energy efficiency below 35%.

For existing plants currently in use – which are expected to remain in operation for a long time – a broad range of services and refurbishing enables ALSTOM to significantly improve plant efficiency. This means more power from a same amount of fuel, longer plant life and major savings, coupled with a significant reduction in CO_2 emissions.

CO_2 CAPTURE

ALSTOM has pursued an intensive research and development programme over the past few years to meet the technological and economic challenges involved in capturing CO_2 from electricity production based on fossil fuel. By 2015, ALSTOM should offer power plants able to capture a large portion of CO_2 emissions at a reasonable cost.

Of the three main technology paths for the capture of CO_2 emitted by a power station burning fossil fuels, ALSTOM is concentrating on post-combustion and oxy-combustion technologies. The main reason for this choice is that these capture technologies can be either used in existing power plants or pre-positioned in new power plants (mainly coal-fired).

BIOMASS COMBUSTION

ALSTOM provides power plants that allow up to 20% biomass co-combustion, making it possible to use renewable energy sources and limit the use of fossil fuels. Co-combustion technology can also be incorporated into retrofit of coal-fired power plants.

Improving the efficiency of renewable energy sources

To date, ALSTOM's hydro solutions have provided over 400 GW of installed capacity from turbines and generators around the world. Technological advances ensure continuous improvement in the efficiency of hydroelectric turbines.

The Group is constantly developing innovative solutions to better incorporate renewable energies into electric power transmission systems in relation with electricity demand variations. It is critical that these energies provide power where and when needed. Variable speed pump turbines, which can be coupled to either hydro or wind power plants, offer real potential by using the electricity produced during off-peak periods to store energy for use during peak periods. Energy transfer by pumping requires two reservoirs: one upstream, the other downstream, connected by penstocks with a substantial difference in height between the two. When the turbine is in operation, during peak periods, water is released from the upper reservoir to power the wheel. When pumping, during off-peak periods, water is drawn from the lower to the upper reservoir where it will later be released to power the turbine. Storing the water in this way makes it possible to produce additional power when needed. The variable speed of the pump turbines can be modulated to regulate the amount of energy in the pump mode and thus to provide greater flexibility and create a more stable system. ALSTOM paves the way in variable speed pump turbine technology.

Eco-design

In both its power generation and transport activities, ALSTOM builds infrastructures that have a lifespan of 30-40 years and which take a number of years to install. The Group therefore needs to design facilities with a long-term view of the evolution of population needs and technology. Eco-design principles are taken into account throughout the design process.

ENVIRONMENTAL FRIENDLY TECHNOLOGIES IN HYDRO POWER

Although dams can provide a source of renewable energy, they can also have a negative impact on the environment. The Group is studying how to respond to such problems. For example, adding oxygen to the deep waters of the dam as they flow through the turbines improves the quality of the water downstream and protects fauna and flora. In another example, the Group has developed ways to use pressurised water instead of oil to lubricate turbines, preventing discharge of oil downstream from hydropower facilities.

ECO-DESIGN IN TRANSPORT

Transport Sector is committed to including environmental factors in the design of its products, with the aim of minimising environmental impact throughout the product's lifecycle, from manufacturing to recycling. To pursue this goal, Transport Sector is able to draw on an "eco-design" Centre of Excellence in Valenciennes, France. ALSTOM has been a pioneer in this area since 1987, when it participated to the development of the EIME (Environmental Information and Management Explorer) software. This software allows the best possible environmental balance in product design, by measuring the impact of materials on water, air and soil pollution, consumption of energy resources, greenhouse effect, destruction of the ozone layer and production of hazardous waste.

Although products recycling mainly relies on plastic and metal, the use of materials from renewable sources such as wood and hemp raises recycling rate up to 85-95%, as seen in the CORADIA™ Lirex regional trains and the AGV™.

ALSTOM provides equipment lifecycle assessment to help customers choose the right fixtures and fittings to meet their needs, such as the lighting system for tram-trains and floor systems for the metro in Hamburg.

In order to further reduce the environmental impact of its products, ALSTOM has replaced the oils previously used in trains with biodegradable products. Together with its suppliers, ALSTOM strives to replace the use of Chromium 6 in electrical components and parts.

Reducing noise levels is another key environmental concern. Insulating materials and improved track-wheel contact through acoustic shock absorbers have cut noise inside metro carriages by seven decibels in ten years.

ALSTOM AND THE SOCIAL ASPECT OF SUSTAINABLE DEVELOPMENT

Improving the living conditions for the world's people means ensuring wider access to power and transport solutions around the globe while implementing these solutions on a local level. ALSTOM provides a long-term commitment to local communities and endorses its responsibility as leading multinational corporation.

ALSTOM's corporate responsibility policy aims to:

- offset the impact of its activities on the environment, health and safety;
- shape the company of the future through a policy that supports and promotes employees contributions and, beyond, those of all stakeholders;
- increase involvement in the life of local communities.

ALSTOM implements this policy through a range of programmes headed by the Sectors and business units and the Company's line management.

ALSTOM joins Global Compact

ALSTOM signed the Global Compact in 2008. Launched by the then United Nations Secretary General, Kofi Annan, on 26 July 2000, the Pact encourages companies to adopt, promote and implement a set of key values spanning human rights, labour standards, environmental protection and non-corrupt business practices.

This adherence reflects the Group's commitment to support the Universal Declaration of Human Rights adopted by the United Nations, along with the fundamental conventions of the International Labour Organisation (ILO) and the OECD convention. The ALSTOM Code of Ethics, which was updated and issued to all employees in March 2007, reflects the main concepts of these pledges. The decision to support the Global Compact also marks a commitment for continuous improvement in applying these principles, along with disclosure of achievements.

A survey conducted in 11 countries representing 80% of ALSTOM employees showed no cases of forced labour, child labour or restrictions on union rights over the past financial year.

Environmental information

ALSTOM's main contribution to environmental protection lies in the technologies it offers. It also aims to offset the environmental impact of its activities – this is mainly under the responsibility of each of its Sectors. The Group monitors a management system called "EHS Roadmap" (Environment, Health and Safety) to reduce pollution from its operations, and has launched other priority action plans.

In 2006, ALSTOM put in place a reporting system for the "EHS Roadmap", involving the set of a range of indicators. An environmental data collection tool compiles this information, based on standardised definitions.

SELF-ASSESSMENTS BY THE SITES

As part of the campaign to reduce its environmental footprint, ALSTOM has introduced a system under which each of the Group's 132 sites evaluates its environmental performance using a standard chart described in the "EHS Roadmap". The "EHS Roadmap" is used both in the self-assessments regularly carried out by the sites and in formal assessments conducted by external consultants or in-house trained specialists. The sites are required to obtain a score of 3.5 or more on a scale of 1 (lack of awareness) to 5 (excellent). This enables them to set targets to achieve continuous improvement, under the responsibility of the Sectors.

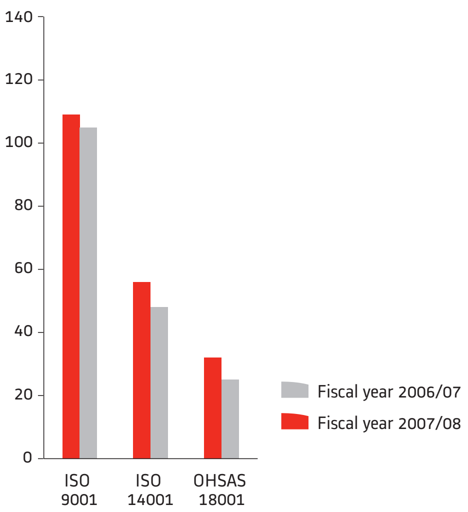
The Group aims to conduct complete evaluations at all production sites every three years, with an update assessment every year.

The roadmap covers a range of areas including environmental management, water and air pollution, waste, and soil contamination by chemicals. It also deals with health and safety issues.

CERTIFICATION OF THE SITES

At 31 March 2008, for the 132 ALSTOM sites, 82% qualified for ISO 9001 certification (quality), 42% for ISO 14001 certification (environment) and 24% for OSHAS 18001 certification (safety).

Certified sites



Source: ALSTOM.

REDUCING THE INTENSITY OF ENERGY USED AND GREENHOUSE GASES PRODUCED BY OPERATIONS

Since 1 April 2006, the Group has collected environmental data on energy consumption at each of its sites, with the exception of construction and customer sites. This information, published this year for the first time, has allowed ALSTOM to set goals to reduce greenhouse gas emissions in line with international targets, including those set by the European Union.

Energy consumption – calendar year 2007

GWh of natural gas	579
GWh of butane or propane	22
GWh of oil	53
GWh of steam/heat	123
GWh of electricity	574
Total energy consumption (GWh)	**1,351**

CO_2 emissions – calendar year 2007

Direct CO_2 emissions from natural gas, butane, propane and oil consumption (ktons)	136
Indirect CO_2 emissions from steam, heat and electrical consumption (ktons)	263
Total CO_2 emissions from energy consumption (ktons)	**399**

This data applies to ALSTOM entities operating within the Group for the full financial year. It does not include newly-acquired interests such as Sizhou and Wuhan (China) or Ecotècnia (Spain).

The reporting has also been extended since 1 April 2008, in order to collect data regarding the emissions of the other greenhouse gases: SF_6 (sulphur hexafluoride) and HFC (hydrofluorocarbons). In this way, the reporting should cover more largely the emissions of greenhouse gases related to the Group's activities.

Quotas under the European trading scheme

The Group is not currently operating any power plant, with the exception of test facilities. Only three French sites are currently subject to emission quotas under the European trading scheme: ALSTOM Power TurboMachines, which operates a heating facility used to supply all companies at the site, as well as Power Service, in Belfort, and the Reichshoffen site operated by the Transport Sector. Allowances of approximately 15,000 metric tons are distributed each year to all three sites under the French national allocation plan *(Plan national d'affectation des quotas)* for greenhouse gas emissions 2008-2012.

In compliance with regulations, these sites declare their emissions, which are then checked by an approved body, and return the relevant quotas.

ALSTOM's main test centre is located in Birr, which is governed by Swiss regulations authorising emissions averaging up to 36,000 metric tons of CO_2 per year between 2008 and 2012.

An objective of 20% reduction in the intensity of energy and greenhouse gases by 2015

During the fiscal year 2007/08, the Group has targeted a 20% reduction in the intensity of energy and greenhouse gases (GHG) from its operations by 2015. This reduction will be calculated on the basis of data gathered in March 2008. The intensity of energy and greenhouse gas emissions is measured in terms of the amount of energy used and greenhouse gases produced in relation to revenues. A protocol has been selected to assess the GHG emissions according to the various sources, in accordance with the Protocols of the World Business Council for Sustainable Development, the World Resources Institute and norm ISO 14064-1.

The specifications of the energy diagnoses have been defined and submitted to the ADEME *(Agence de l'environnement et de la maîtrise de l'énergie)*. 10 sites have already been inspected by outside consultants with a view to identify actions to be implemented. The programme is due to be extended to cover half of ALSTOM's energy consumption by March 2009. The campaign will allow ALSTOM to launch action plans needed to reach its targets.

ELIMINATING ASBESTOS

ALSTOM has always done its utmost to respect health and safety regulations, particularly in terms of risks related to asbestos. An internal instruction in August 2006 reminded the strict ban on the use of asbestos and relevant documentation has been drawn up to make this policy comply to local regulations in North America, Latin America, Europe, India and China in all production practices, including those used by suppliers.

In 2007, ALSTOM made further headway with the introduction of a policy to eliminate the asbestos from all buildings used by the Group in the world when reasonably achievable, included the countries where such materials are not prohibited. The policy includes several stages. As a first step, a comprehensive inventory of asbestos containing materials (ACM) has been carried out at all manufacturing and service sites, and the presence of regularly updated asbestos documentation has been verified. Furthermore, an independent consultant has identified the needs in terms of technical appraisals (detecting asbestos), estimated potential cost of removal and compiled short, medium and long term action plans.

During the fiscal year 2007/08, more than 90% of sites have performed the ACM inventory.

INDICATOR REPORTING

ALSTOM has introduced a reporting system to gather environmental data, designed to promote greater awareness of the role of the Company and each of its employees at the 132 sites.

Measures apply to the use of water, volatile organic compounds (VOC) and the production of non-hazardous, hazardous and recycled waste. ALSTOM has not set Group-wide targets on reducing the amount of land filled waste, which is left to the responsibility of each individual site. ALSTOM estimates that out of 90,000 metric tons of waste, 50,000 tons are recycled.

A number of action plans has also been implemented on a local level to offset the environmental impact of operations, including selective sorting, reduced paper consumption, waste collection and employee awareness. For example, in Canada, ALSTOM has been working with the Tree Canada Foundation to reduce its paper consumption and offset it by planting trees. In France, a plan to encourage employees to use public transportation is implemented in Valenciennes and Villeurbanne.

Water consumption – calendar year 2007

	France	Manufacturing sites worldwide
m^3 of public network	220,000	2,913,000
m^3 of ground water	1,184,000	1,593,000
m^3 of surface water	2,000	629,000
Total water consumption (m^3)	**1,406,000**	**5,135,000**

Social information

GROUP WORKFORCE AT 31 MARCH 2008

The figures in the following tables include the overall permanent employees and fixed-term contracts.

Breakdown by region

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Workforce	45,007	12,500	4,249	13,164	1,037	75,957
Long-Term Absentees (LTA)	918	88	99	1	0	1,106
% of total workforce	59.6	16.3	5.6	17.1	1 .3	100

Breakdown by category (LTA included)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total Group	% of total Group workforce
Engineers & managers	18,654	3,560	1,306	5,029	301	28,850	37.44
Other employees	27,271	9,028	3,042	8,136	736	48,213	62.56

Breakdown by Sector in percentage (% of total workforce, LTA included)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total Sector
Power Systems	18.10	4.48	2.33	12.18	0.11	37.20
Power Service	15.05	8.55	0.21	3.72	0.43	27.96
Transport	24.64	3.25	2.85	1.35	0.77	32.86
Other	1.48	0.17	0.18	0.07	0.06	1.98

Breakdown by gender (% of total workforce by region, LTA included)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Men	84	89	87	84	86	85
Women	16	11	13	16	14	15

Breakdown by type of contract (LTA included)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Permanent contracts	42,964	7,848	4,302	12,258	552	67,924
Fixed-term contracts	2,961	4,740	46	907	485	9,139
Temporary workers	2,682	398	262	1,123	316	4,781
Interns	993	34	194	108	-	1,329

Workforce changes during fiscal year 2007/08 (LTA included)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Group Total
Hiring with permanent contracts	4,942	1,422	1,162	2,582	274	10,382
Hiring with fixed-term contracts	3,128	2,972	185	1,099	687	8,071
Resignations	1,079	365	121	639	37	2,241
Redundancies	143	115	53	32	-	343
Other departures*	1,975	511	481	663	30	3,660

* Disposals and acquisitions excluded.

HUMAN RESOURCES AND RECRUITMENT POLICY

ALSTOM has implemented a highly active recruitment policy to support growth and to offset the number of employees taking retirement. 10,400 new permanent employees joined the Company this fiscal year, half of whom are engineers and professionals. ALSTOM now employs some 76,000 people (long-term absentees excluded) and aims to continue its recruitment drive with similar numbers expected in 2008/09. To find the men and women needed to meet its performance targets, ALSTOM launched a worldwide recruitment campaign in late 2007 to increase its exposure in what is a highly competitive job market.

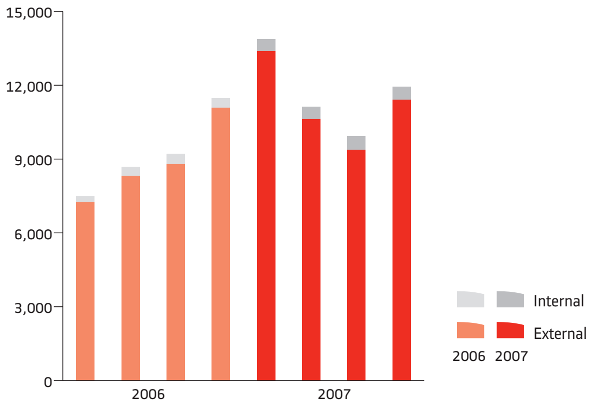
Recruitment policy

ALSTOM has increased its on-campus exposure. The Company took part in nearly 400 events – including trade fairs and exhibitions – in partnership with universities around the world. ALSTOM experimented recruitment in the online virtual world of "Second Life".

"People Quest" is an innovative programme that enhances ALSTOM's appeal to graduates in countries where there is a strong need to recruit. Students, university professors and ALSTOM executives meet and exchange views at information and training sessions. Three rounds of meetings were organised in 2007/08 in the United Kingdom, the United States and India.

Group exposure is monitored through the number of applications sent to the ALSTOM website www.careers.alstom.com.

Number of accounts created by quarter in 2006 and 2007



Source: ALSTOM.

This recruitment policy includes actions to facilitate the integration of newcomers in the teams. In addition to the initial welcome, new employees are given their own "passport" to ensure they receive all necessary support during the integration process.

In order to better anticipate its recruitment needs, the Group has developed a range of recruitment programmes for key business lines, ensuring integration, training and follow-up for new employees. In India, for example, 81 new engineers were given a three-month integration and training programme before taking up their positions, followed by individual support during their first nine months in the job.

Mobility policy

Alongside such recruitment campaigns, ALSTOM also encourages mobility within the Company through an active in-house promotion policy and a mobility charter, and also through annual people review increasingly implemented in the Group. 10,000 managers have already been included in this programme. Furthermore, the Group has set a target of filling two thirds of executive positions through internal promotion (around 1,000 jobs).

Employee involvement

Ensuring employee motivation is also a main theme of the ALSTOM policy. The Power Systems and Power Service Sectors have introduced employee satisfaction surveys to better determine expectations and assess awareness of challenges facing the Company.

The following table shows turnover in employees on a permanent contract in each region:

Fiscal year 2007/08	% resignation	% other departures*
Europe + Africa/Middle East	2.6%	4.9%
Asia/Pacific	5.2%	5.7%
Americas	4%	9.6%
Total	**3.3%**	**5.9%**

* “Other departures” covers employees made redundant or retiring.

The resignation rate is one indicator among others to determine employee satisfaction at ALSTOM. It is close followed, at both Sector and region levels.

Initiatives aim to encourage creativity and motivation of the employees. The Power Service Sector introduced “Power Innovation” several years ago. It targets ideas to improve products, manufacturing processes and project handling. More than 300 ideas have already been implemented, some of which have led to new product development and project improvements. More than 800 people have been involved in “Power Innovation”.

The Power Systems Sector has introduced awards for the first time this year, in recognition of employee contributions to improve Company performance. The four selection criteria included impact on key Sector programmes, relevance, reproducibility and quality of the resulting partnership. Some 400 initiatives were submitted during the financial year.

At Group level, an “Innovation Board” has been set up, comprising representatives from a range of functions. The Board aims to draw up and implement action plans designed to reinforce the visibility of innovations, and favour the emergence and exchange of new ideas and practices within the Group. The Innovation Board has also launched the “ALSTOM Innovation Awards”, designed to acknowledge the most innovative projects.

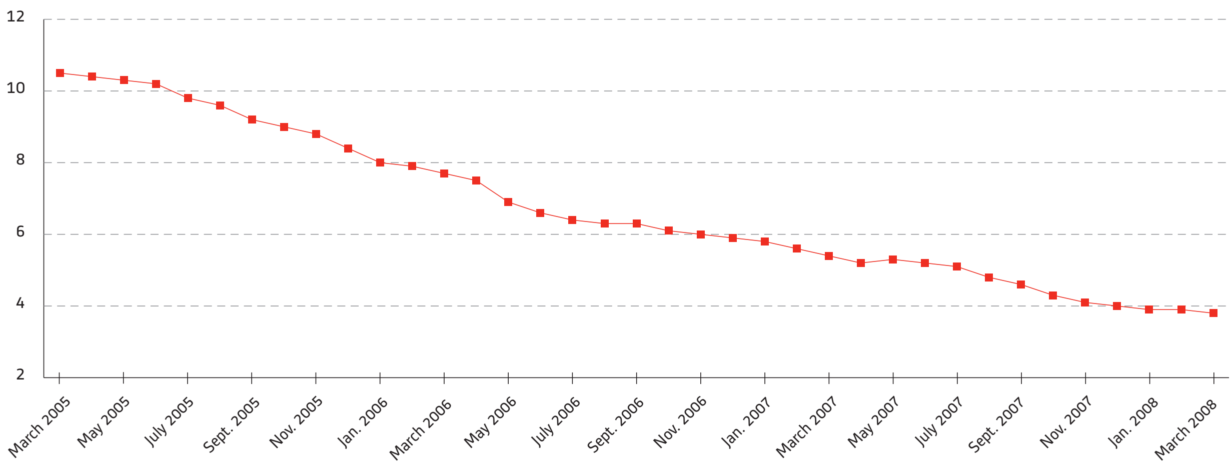
OCCUPATIONAL ACCIDENT PREVENTION

The Group considers the prevention of occupational injury as a priority. A system for collecting consolidated Environmental, Health and Safety (EHS) data has been in place since 2004, providing information on occupational injuries.

A global action plan and sustained efforts to improve the health and safety of employees – along with a strong campaign to increase awareness and involvement of employees and executives – have helped greatly reduce the number of work-related accidents.

The following graph shows changes in the Injury Frequency Rate (number of accidents with time lost to injury per million hours worked):

ALSTOM Injury Frequency Rate 12 rolling months (constant perimeter)



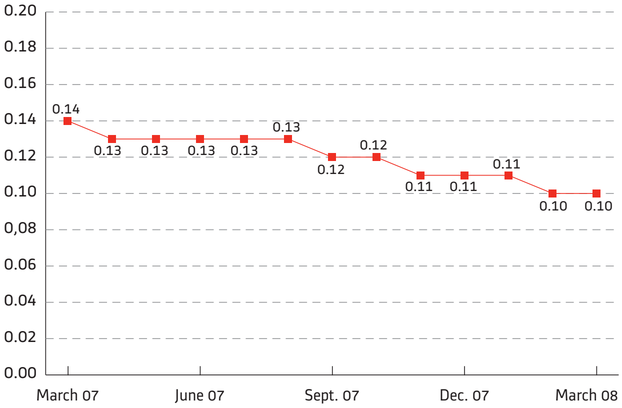
Source: ALSTOM.

The graph above does not include the performance of business units acquired over the past financial year.

The goal is to reach an Injury Frequency Rate of 3 by the end of 2010. This target includes business units acquired over the past financial year.

The following graph shows changes in the Injury Severity Rate (number of days lost to injury per 1,000 hours worked):

ALSTOM Injury Severity Rate 12 rolling months (constant perimeter)



Source: ALSTOM.

The graph above does not include the impact of business units acquired over the past financial year.

This policy relies on management involvement at every level. Sites have diagnostic and self-assessment tools to monitor progress and the Executive Committee analyses results every month. To improve risk management, 16 in-house inspectors – given the task of checking the quality of self-assessments – were trained in 2007/08, increasing the number of internal assessors up to 31. Evaluations are also carried out by external consultants. 134 assessments took place in the fiscal year 2007/08, half of them having been performed by external assessors.

ALSTOM University provided safety training programmes for 359 managers in 2007/08, with similar courses organised by the Sectors.

The Sectors have also introduced other measures to make employees more aware of safety issues. The Plant business – specialised in the design and construction of power plants, with a workforce of 3,400 people – conducted an in-house survey among its staff to obtain feedback on their perception of the health and safety policy. The results showed that nine out of ten employees were aware of the policy.

In spite of the reduction of Injury Frequency and Severity rate, there were 9 fatalities among the Group and sub-contractor employees during operations on the sites. ALSTOM has decided to implement a new safety policy based on the promotion of the safest behaviours. In addition, the Group has implemented a reinforced control of the safety conditions whenever sub-contractors operate – their number represents 45,000 full time equivalents.

In addition, ALSTOM subsidiaries are gradually incorporating more safety criteria into their subcontractor selection process. Measures include requiring subcontractors to comply with specifications featuring rules on environmental, health and safety issues. These requirements are reiterated in the Sustainable Development Charter between ALSTOM, its suppliers and subcontractors, implemented in 2007 through a number of pilots.

LENGTH AND ORGANISATION OF WORKING TIME

Working practices at the Group's industrial, commercial and administrative sites vary greatly depending on the site, type of activity, geographical location and applicable local legislation. While meeting these constraints, each site also does its utmost to take into account the individual needs of employees in terms of the length and organisation of working time. The introduction of variable working hours has, for instance, helped employees reconcile personal and working needs, and made it easier to adapt working hours to suit public transportation schedules.

Overtime

"Overtime" refers to hours worked beyond the legal limit set by the relevant national legislation. The concept of overtime may vary from one country to another and in some cases is not applicable, which somewhat mitigates the relevance of this benchmark as a consolidated indicator. Overtime is only applied in certain circumstances, such as when it is required to meet the needs of the customer, offset employee availability issues, carry out emergency operations, and conduct specific tasks.

New overtime laws have been introduced in two countries in which ALSTOM has operations. In France, where changes were made to charges and taxes applicable to overtime on 1 October 2007, ALSTOM estimates that approximately 3,000 employees work 180,000 overtime hours; the changes to the regulations are the equivalent of a salary increase of 1.2%. In China, the new labour contract introduced on 1 January 2008 requires payment of an overtime rate for any time worked beyond the 40-hour week, provided the overtime is requested by the management.

Use of external employees

The number of temporary workers as a full-time equivalent (FTE) was 6.3% of the total workforce in the first quarter of 2008.

Subcontractors worked an estimated 85 million hours at ALSTOM sites and on construction sites, corresponding to the equivalent of 45,000 people on the basis of a 40-hour working week.

REMUNERATION

Employee benefit expenses represented 22% of the Group sales at 31 March 2008, *i.e.* a total of €3,698 million, of which €715 million covered employer social charges. See Note 29 in the consolidated financial statements as of 31 March 2008 in section "Financial information".

It is the Group's policy to pay its employees on the basis of local market prices, responsibilities and individual performance. Unless prohibited by local regulations, the goal is to ensure all salaried employees benefit from a personalised payment scheme.

ALSTOM designs its salary policy to address the need for external competitiveness and internal fairness. With this view, the Group has implemented a strict job grading of the positions found throughout the Group, as well as several decision-making tools such as wage brackets for each country, annual salary reviews and pay scales.

ALSTOM also intends to ensure a fair mobility policy, by offering equivalent terms and conditions to all employees moving to work abroad for extended periods, designed to protect the interests of the employees themselves, their families and the Group.

PROFIT SHARING, EMPLOYEE SHAREHOLDING AND LIFE INSURANCE

In addition to their salary, Group employees benefit from a range of provisions in accordance with local legislation.

Profit sharing

All French subsidiaries of the Group concerned by the law of 7 November 1990 have entered into statutory employee profit sharing agreements *("accords de participation")*. To date, ten French subsidiaries have entered into a specific profit sharing plan *("accord d'intéressement")*. For more information on statutory profit sharing agreements and specific profit sharing plans in France, see section "Corporate governance – Interests of the officers and employees in the share capital – Employee profit sharing".

There is currently no consolidated data available on the overall amounts paid under employee profit sharing schemes.

Employee shareholding

Since its initial public offering and first listing, the Group has implemented four capital increases reserved for employees participating in the Company's savings plan (January 1998, August 2000 and November 2004 et December 2007) and a plan to allocate free shares (May 2006) to all employees.

"ALSTOM Sharing 2007" was proposed to 60,000 employees in 19 countries in which ALSTOM has operations, covering approximately 90% of the Company's total workforce.

Approximately 32% of the permanent eligible employees subscribed to the following formulae:
- the first formula – "ALSTOM Sharing Plus 2007" – enabled employees to acquire up to four shares at a 20% discount. One free share or a contribution was awarded for every share purchased. Moreover, a leverage system was incorporated to guarantee employees' initial investment and provide a greater return – equal to four times the average increase in share price over five years – for every share purchased.
- the second option – "ALSTOM Sharing Classic" – allowed employees to acquire shares at a 20% discount.

Applicants could acquire a total of up to 160 shares through a combination of the two options.

Current and former Group employees held 1.09% of ALSTOM share capital at 31 March 2008, either directly or through mutual funds. At the end of the acquisition period of the free allocation plan mentioned above, the Group's employees would hold a total stake of around 1.50% in ALSTOM share capital. The Group aims to pursue this campaign to further promote employee shareholding.

For more information on the 2006 free shares plan and employee shareholding, please see section "Corporate governance – Interests of the officers and employees in the share capital – Free of shares plans" and section "Additional information – Information on the share capital – Changes in share capital – Ownership of ALSTOM shares".

Life insurance

The Group also aims to ensure that all employees benefit from a life insurance and disability policy. Today, 70% of the Group's employees are currently covered.

GENDER EQUALITY

It is the Group's policy to promote equal opportunities for men and women on the basis of equal employment and qualifications. This principle is stated in the ALSTOM Code of Ethics and in the guidelines of the human resources policy entitled "It's all about people".

Although in the past its professions have attracted a majority of male engineers, ALSTOM attaches great importance to integrating women, who currently represent 15% of the total workforce and 15% of its managers.

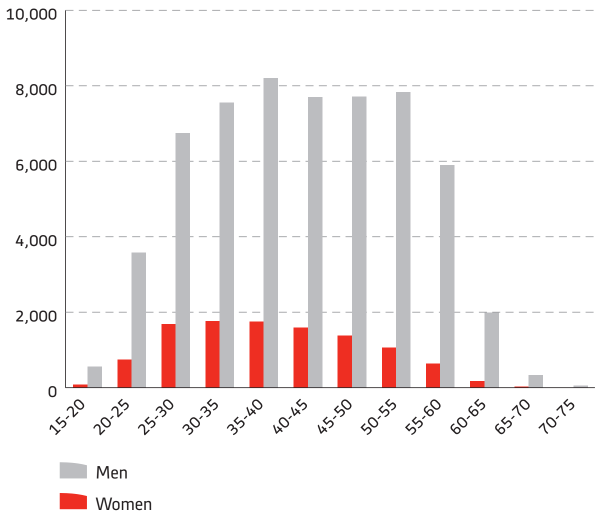
17.8% of the managers and 17.3% of the other employees hired during the fiscal year 2007/08 are women.

The proportion of women in the workforce varies greatly between countries and categories. In China, women represent 25% of the workforce. In France, Germany, Poland, Switzerland and the United States, women represent approximately 17% of the total workforce. In Spain and the United Kingdom, the figure is approximately 10%, and 4% in India.

In the United States, ALSTOM is a member and sponsor of the Society of Women Engineers (SWE). Founded in 1950, the SWE is a non-profit organisation that aims to advise and encourage female students considering a career in engineering. In France, ALSTOM has signed an agreement with "Elles bougent", an association that aims to promote the interests of young female engineering students and works in the aeronautics, automobile and rail industries. In India, ALSTOM is involved in programmes targeting young women in engineering schools. In Spain, a campaign to recruit female engineers is under way. The Group is working closely with a number of associations in this field.

ALSTOM also conducted a survey in 11 countries representing 80% of the total workforce to assess discrepancies in salaries between men and women. The results are difficult to interpret for a number of reasons, such as the very low number of women in certain categories, the difference between positions, age and seniority.

Age pyramid by gender - March 2008



Source: ALSTOM.

TRAINING

The following results were taken from a survey on training programmes, conducted in 11 countries representing 80% of the total workforce:

Countries	% people with a training session in 2007	Average hours/trained employee
Brazil	45%	11
India	88%	21
United Kingdom	51%	35
Switzerland	47%	21
France	82%	26
China	84%	25
Spain	100%	17
Italy	44%	23
USA	94%	7
Germany	83%	15
Poland	60%	19

The Group attaches the utmost importance to training and on 26 February 2006 it opened its own learning institution: "ALSTOM University". ALSTOM University aims to promote employees' personal development while fostering a better knowledge of the Group's rules. Approximately 80 training programmes in seven languages are currently available through the university, ranging from management and leadership courses to specialist and advanced programmes in specific business areas such as purchasing, finance, project management, sales and human resources. The introduction of four new regional sites in Asia, India, Latin America and North America, along with the initial site at Group headquarters, will provide wider access to the university for all ALSTOM employees.

In 2007/08, ALSTOM University trained more than 3,500 people in 224 training sessions. In addition to general training programmes, ALSTOM University has developed practical courses designed by managers for their teams. Some of these sessions are even run by ALSTOM employees themselves.

ALSTOM University also provided ten online training programmes this year: available *via* the ALSTOM intranet, the online courses cover a wide range of skills, including language-learning programmes, and help promote the ALSTOM culture. 5,200 people took the online course on Group values.

INTEGRATION AND EMPLOYMENT OF DISABLED PEOPLE

The Group subsidiaries are required to comply with different legislations according to each country, to promote the integration and employment of disabled people. In addition, the ALSTOM Code of Ethics strictly prohibits any discrimination on the basis of health or disability.

Percentages of people with disabilities among the total workforce apply only to countries where regulations set minimum quotas:

France	3.13%
Brazil	4.3%
Germany	5.69%
Italy	2.51%
Spain	0.18%

Initiatives are taken in the Sectors, in particular *via* contracts awarded to workshops and firms employing disabled people. For example, work clothes worn by Power Service Sector employees in China are made by The Hong Kong Factory for the Blind. In Argentina, a campaign aims to raise awareness and provide training for people in charge of recruiting new employees to promote the integration of people with disabilities. ALSTOM Brazil has introduced a similar action plan.

Active measures in this field are also implemented in France. An agreement of the employment of people with disabilities was signed on 6 July 2006 between the Transport Sector and the Unions, and resulted in the hiring of 10 permanent employees. In 2007, the Transport Sector organised a Special Week on Handicaps and issued a brochure about work and disability, called *"Travail et handicap, un projet qui nous engage"* to promote the integration of disabled employees and publish the testimonials of employees with disabilities.

ALSTOM has adopted a global approach to ensuring its solutions are more accessible to disabled people. In 1987, the Grenoble tramway, designed in partnership with associations for the disabled and local representatives, was the first to provide low-floor access along 70% of its length. Since then, Transport and its partners have explored a number of possibilities to improve tram access and movement between carriages, enhance comfort and safety, and make information more readily available. This commitment led to the signing of the National Accessibility Charter *(Charte nationale de l'accessibilité).*

SOCIAL DIALOGUE

ALSTOM promotes the sharing of information, consultation and negotiation with employee representatives on collective issues. This aspect of the Company's employee relations policy is covered in the Code of Ethics.

ALSTOM Management collaborates with the European Work Forum (EWF). The number of representatives increased from 28 to 32 members in July 2007, to allow for the representation of four new countries (The Netherlands, Norway, Croatia and Russia). The role of the EWF Select Committee is more clearly defined and its composition reinforced. Since its creation, the EWF has worked on restructuring and organisational projects in relation to ALSTOM's economic and financial health. It now addresses other subjects; this year, it has focused on the Environment Health and Safety (EHS) policy, the cascading of the Code of Ethics and the evolution of the engineering and manufacturing organisation of the Transport Sector.

A number of agreements have been signed on a local level, reflecting the dynamic employee/management relations. For example, in India, 7 agreements were signed relating to salaries, promotions and working conditions. In Spain, 7 agreements related to working-time organisation, classification, means for unions' activities, balance between professional and private life. In Poland, 7 agreements were mainly related to salaries. In the USA, 7 agreements were signed on salaries and working conditions. In Italy, 9 agreements concerned restructuring, profit sharing and union activities. In France, 22 local agreements were signed on time savings account (CET), working hours and manpower and skill forecasting (GPEC). Also in France, 43% of the employees invested in the Group's pension plan (PERCO) established by an agreement signed on 28 February 2007.

This social dialogue also included other types of exchanges with the employees, such as information and meetings and interactive debates organised by managers to increase the employees' involvement in Company life. More broadly, ALSTOM encourages initiatives to foster a sense of initiative and responsibility.

INVOLVEMENT IN COMMUNITY LIFE

The overall budget for work in the community and contributions to charities is not yet available at Group level. However, ALSTOM supports actions to improve local life.

These activities are designed in line with local needs and developed in close cooperation with local associations. Initiatives cover a wide range of themes as displayed below.

Examples of achievements during fiscal year 2007/08 are given below.

Actions to support local people

- Brazil: providing cybercafés and Internet training for underprivileged sections of the community;
- Chile: financing to help underprivileged young people learn a musical instrument and join an orchestra;
- India: organising a three-week trip to Paris for 15 young homeless people for the Rugby World Cup, in partnership with the Ashalayam association;
- Poland: providing fluorescent bracelets for schoolchildren as part of a road-safety campaign.

Actions to promote education

- Chile: helping the Museum of Fine Arts organise a Rodin exhibition and working to set up a Franco-Chilean engineering school;
- United States: mobilising employees to assist schoolchildren in maths and science and funding innovative initiatives such as "First Robotics";
- Brazil: providing basic school supplies for employees' children (813 pupils);
- India: providing aid for schools, mainly in Shahabad and Durgapur;
- Philippines: training sessions with a focus on sciences for primary and secondary school teachers in Limay.

Health campaigns

- China: involvement in races and other sports events as part of a fundraising drive to help sick children far from home in;
- United States: funding for breast cancer research;
- Argentina: collecting paper and plastic for recycling to raise funding for hospitalised children.

Environmental actions

- India: maintaining gardens at Vadodara airport;
- India: providing wastewater treatment in Shahabad;
- Germany: funding environmental awareness campaigns for school-children organised by the German Society For Nature Protection in Salzgitter;
- Philippines: planting 40,000 trees to preserve the Alangan Cove mangrove swamp in Limay.

IMPACT OF OPERATIONS ON REGIONAL DEVELOPMENT AND LOCAL POPULATIONS

ALSTOM takes into account the impact that its business activities can have on regional development and local populations.

Impact on the social situation

IMPACT ON RESTRUCTURING

The Group strives to promote employment as part of its restructuring programmes.

On 10 December 2004, ALSTOM signed an agreement with the government to undertake work to help the Belfort area become more attractive for job creations. A budget of €2 million was provided for initiatives undertaken by the Chamber of Commerce and Industry and the Chamber of Trades and Crafts for the Belfort region, local semi-public company SEMPAT and Belfort-Montbéliard University.

A number of actions were undertaken with these partners, including:

- helping small and medium-size businesses and industries in the area broaden their customer base and seek a foothold in other markets by setting up a dedicated business organisation;
- revitalising and creating activities, drawing on potential disposals and new small-scale businesses through consulting, placement and monitoring services;
- promoting employment of senior employees (over age 50) able to offer their expertise to small and medium-size businesses and industries;
- promoting Research & development needed to develop products made by small and medium-size businesses and industries;
- working to redevelop the Belfort "Technopole" (technology park) to attract new companies.

Three years after the Agreement came into effect, the financial aid provided by ALSTOM and the commitment of all parties involved to develop the local economy and labour market have helped maintain and create more than 220 jobs.

IMPACT ON LOCAL EMPLOYMENT

The Group also endeavours to address social issues. In France, ALSTOM has signed an agreement on the 15 February 2008 with the French State to help young people from underprivileged neighbourhoods find work, based on three types of insertion programme: providing information and promoting the Company's business lines; encouraging young people to find out more about ALSTOM through active internship programmes; improving access to employment for young people from these neighbourhoods. The Power Service Sector in France is the first to implement the agreement, through its head office in La Courneuve, Seine-Saint-Denis. Over the next three years, 50 jobs will be earmarked for young people from surrounding neighbourhoods, which will also be offered 75 apprenticeships and work/study schemes.

Impact on suppliers and subcontractors

ALSTOM has drawn up an official policy for its suppliers and subcontractors, in line with the values laid out in the Code of Ethics. The Group now requires all suppliers and subcontractors to commit on the policy guidelines on labour standards, ethics, the environment, and occupational health and safety of their own people. When tendering for ALSTOM projects or entering a contractual agreement with the Group, the suppliers and subcontractors commit to respect the charter and work with ALSTOM to implement these principles in line with the drive for continuous improvement. The policy is available on the ALSTOM website at www.alstom.com. The guidelines of this new policy will be implemented progressively, in line with the targets and action plans defined by each Sector. Pilot schemes have been put in place in the three Sectors to check the effectiveness of these procedures, through the use of questionnaires and audits. To date, 254 suppliers have received a copy of the charter and 114 have already signed up. 35 audits were carried out to ensure that the terms and conditions of the policy had been respected.

This policy is part of a more proactive approach to fostering privileged long-term relations with suppliers.

For example, in June 2007, the Transport Sector launched its "Leading Partners 150" (LP150) programme, designed to establish long term partnerships with 150 key suppliers. Leading partners are chosen on the basis of an assessment of their performance in innovation, quality, financial health and organisation. German firm Knorr Bremse, which produces doors and brakes for the PENDOLINO™ train, the CITADIS™ tramway and regional trains, was the first company included in this programme. This supplier is involved in a number of programmes designed to anticipate new products in very high speed transport, freight locomotives and metro systems. Regular meetings will help sharing views on markets and R&D policies, and reviewing action plans to improve competitiveness, quality and organisation. More than 20 suppliers will eventually join the LP150 scheme by July 2008 and over 60 before March 2009.

Impact on scientific community

ALSTOM plays an active part in leading collective projects designed to ensure industry-wide progress. On a European level, ALSTOM is involved in FP7, the seventh European Union framework programme for research and technology, and contributes to growth, competitiveness and employment objectives.

In France, the Group is a contributor to six "competitiveness clusters", where ALSTOM engineers work with counterparts from other companies and university researchers on shared challenges: mobility and transport in La Rochelle; electronics in Paris; transport systems in Valenciennes; microtechnology in Ornans; renewable energy sources in Grenoble; on-board systems in Tarbes.

The newly created "Innovation Board" aims to draw up and implement action plans designed to share expertise and experience with outside bodies (universities, research centres and start-ups) and lend exposure to new innovations.

Furthermore, the Group develops a global strategy towards universities and schools providing training and competencies in line with ALSTOM activities. It promotes local initiatives to favour relationships with these bodies and exchanges with students.

Alongside Research & development (R&D) work conducted in its own laboratories, ALSTOM has also implemented a policy of partnerships with researchers at the world's top universities. More than one hundred leading university projects are already underway in collaboration with ALSTOM R&D teams: 35 with the Power Systems Sector, 31 with the Power Service Sector and 36 with the Transport Sector. In the United States, ALSTOM is working with researchers at the Massachusetts Institute of Technology (MIT) to share expertise in capturing and sequestering CO_2. In Poland, the Transport Sector is working closely with the University of Technology in Gdansk on the European Predictive Maintenance and Diagnostics (PREMAID) programme for locomotives – universities in Bologna (Italy), Oviedo (Spain) and Coimbra (Portugal) are also involved in this programme. In Portugal, the Higher Institute of Technology in Lisbon is supporting the Transport Sector in the research into pantographs and catenaries. In the United Kingdom, the Power Service Sector is working with Sheffield University on research into early detection of faults in power generation equipment. In Switzerland, it is working closely with the Federal Institute of Technology in Zurich (ETH) on developing robotic inspection technology.

ALSTOM Foundation

In November 2007, ALSTOM set up a corporate Foundation designed to support environment protection initiatives. This Foundation will run for five years with a total budget of €4.5 million.

The Foundation's Board of Directors – 12 in total: 8 from within the Group and 4 external Directors – selects projects based on their contribution to public interest, their ability to address local needs, the quality of partnerships and the involvement of ALSTOM employees.

Projects may involve actions to provide training, raise awareness of environmental protection, support research programmes for example in renewable energy sources, promote reforestation programmes, improve water quality, preserve ecosystems or reduce greenhouse gas emissions, particularly through the use of public transportation, etc.

The Foundation's Board of Directors will make its first selection of projects in June 2008.

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Information on the Group and the holding Company

HISTORICAL INFORMATION

The Group was created in 1989, when the parent company GEC ALSTHOM NV was a holding company incorporated under the laws of The Netherlands, by The General Electric Company plc ("GEC") and Alcatel, its 50-50 shareholders, in order to consolidate in one single group the businesses since then carried out by certain of their respective subsidiaries. This joint venture realised during a time of consolidation in the energy sector, aimed at benefiting from certain complementary products and markets of Alcatel and GEC respectively.

At the end of 1997, the two shareholders decided to list the company on the Paris, New York and London Stock Exchanges and to put part of their shares on the market. They chose Paris as the main listing exchange and they decided to transfer to a French public limited company *(société anonyme)*, renamed ALSTOM (previously Jotelec), the whole of the activities till then carried out by GEC ALSTHOM NV. Before the IPO and listing on the Stock Exchange of ALSTOM (or the "Company"), almost the whole of the assets directly or indirectly held by GEC ALSTHOM NV was transferred to one of its French subsidiary, ALSTOM France SA, 100% owned by ALSTOM. This company, since then renamed ALSTOM Holdings, is still the only interest held by ALSTOM, which owns almost all assets of the Group (see below the "Simplified organisation chart of the Group at 31 March 2008").

Since the quotation of ALSTOM in 1998, the Group's scope was deeply changed a few times. The most significant operation was the acquisition of ABB power generation activities in two phases: first, in July 1999, a joint venture was set up and then in May 2000, ALSTOM bought ABB share in the above-mentioned joint venture. At the same time, ALSTOM re-focused on its core Business, notably by selling its Contracting Sector in July 2001.

Facing a hard financial crisis in 2003, the Group launched an action plan to solve the specific issues related mainly to GT24™/GT26™ gas turbines, to refocus its activities (sale of the Transmission & Distribution Business in January 2004), to improve operational performance and strengthen its financial structure. Today, the Group is refocused on three Sectors: Power Systems, Power Service and Transport, after the disposals of its former Transmission & Distribution and Marine Sectors and its Industrial Turbines and Power Conversion activities.

IDENTITY OF THE COMPANY

Company name and registered office

ALSTOM
3, avenue André Malraux – 92300 Levallois-Perret
Tel.: 01 41 49 20 00

Legal form, applicable legislation, and competent jurisdictions

Limited liability company (French *"société anonyme à conseil d'administration")* incorporated under the laws of France and regulated notably by the French Commercial Code.

Duration

ALSTOM was incorporated under the name "Jotelec" on 17 November 1992 and its existence will expire on 17 November 2091, unless it is earlier dissolved or its life is extended.

Registration number

389 058 447 RCS Nanterre.

Code APE

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SUMMARY OF KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION

Purpose of the Company

(Article 3 of the Articles of Association)

The purposes of ALSTOM are directly or indirectly:

- the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields:
  - energy,
  - transmission and distribution of energy,
  - transport,
  - industrial equipment,
  - naval construction and repair work,
  - engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction, and
  - more generally, activities related or incidental to the above;
- participation, by every means, directly or indirectly, in any operations which may be associated with its purpose, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise; the creation, acquisition, lease or take over of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents relating to such activities; and
- generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with ALSTOM purposes or with any similar or related.

Furthermore, ALSTOM may acquire an interest, of whatever form, in any French or foreign business or organisation.

Fiscal year

(Article 18 of the Articles of Association)

From 1 April to 31 March.

Shareholders' meetings

(Article 15 of the Articles of Association)

CONVENING AND PROCEEDINGS – AGENDA

Ordinary and Extraordinary General Meetings, satisfying the legal conditions for quorum and majority voting, exercise the powers respectively attributed to them by the law. They are convened in accordance with the rules and the terms laid down by law.

Meetings are held at the registered office of ALSTOM or at any other place determined by the Board, either within the *"département"* in which the registered office is located or in any other French territory.

The agenda of the meeting is drawn up by the Board of Directors if the Board has called the meeting and, if not, by the person calling the meeting. However, one or more shareholders satisfying the conditions laid down by law may request the inclusion of draft resolutions on the agenda. Questions not appearing on the agenda may not be considered.

ADMISSION AND REPRESENTATION

Ordinary and Extraordinary General Meetings are made up of all shareholders without distinction between the class of shares which they hold.

In all shareholders' meetings, shareholders are only entitled to exercise their right to vote if their shares have been recorded in the accounts in the name of the shareholder or the intermediary registered for its account pursuant to the legal and regulatory provisions on the third business day preceding the date of the shareholders' meeting at midnight, Paris time, either in the accounts of registered securities held by the Company for registered shares, or in the accounts of bearer securities held by an intermediary authorised for bearer shares.

This accounting record is officially acknowledged in accordance with the terms laid down by law.

Shareholders may vote by proxy or by correspondence at General Meetings under the conditions laid down by law.

In order to be taken into account, the voting forms and proxies must be received by the Company at least three days prior to the Meeting, unless a shorter term is decided by the Board of Directors or is stipulated by law.

If decided by the Board of Directors and communicated in the notice of the meeting and/or the invitation to attend the meeting, any shareholder may vote at a General Meeting, by proxy or by correspondence, using any electronic telecommunications means under the conditions laid down by law. In this case, the shareholder's electronic signature or that of its representative shall take the form either of a secured signature according to the meaning of current regulations, or a reliable identification process guaranteeing its relationship with the legal instrument to which it relates, in accordance with the provisions of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code.

A shareholder may be represented by another shareholder or by his or her spouse.

However, in compliance with the 7th paragraph of Article L. 228-1 of the French Commercial Code, the owners of the securities may be represented by a registered intermediary, in the conditions set down by law.

Any shareholder having voted at a distance, or sent a proxy or requested his or her admission card or an attendance certificate, may at any time sell all or some of his or her shares pursuant to which he or she transmitted his or her vote or proxy or requested one of these documents. Any sale occurring prior to the third business day before the shareholders' meeting at midnight, Paris time, shall be taken into account in the conditions laid down by law.

The Board of Directors shall have the powers to organise, within the limits of the law, the attendance and voting of the shareholders at General Meetings by videoconferencing or by any telecommunications means enabling the identification of such shareholders. If applicable, this decision of the Board of Directors shall be communicated in the notice of the meeting and/or the invitation to attend. Those shareholders attending shareholders' meetings by videoconference or by these other means are deemed to be present for the purposes of calculating the quorum and the majority.

VOTING RIGHTS

Each member of the meeting is entitled to as many votes as the number of shares which he holds or represents. For a period of two years starting from the share consolidation decided by the Ordinary and Extraordinary General Meeting of 12 July 2005, any share which is not consolidated will be entitled to one vote and any consolidated share to 40 votes, so that the number of votes attached to the shares is proportional to the percentage of share capital they represent. At all Ordinary, Extraordinary or Special General Meetings, the voting right on shares shall, in cases where such shares are subject to usufruct, be exercisable by the usufructuary. There are no double voting rights.

It will be proposed to the next Ordinary and Extraordinary General Meeting scheduled on 24 June 2008 (i) to delete the reference to the two-year period mentioned above to take into account the expiry on 5 August 2007 of the period to carry out the consolidation of the shares and (ii) to amend the second paragraph "Admission and representation" of Article 15 of the Company's Articles of Association and to create a 7th paragraph in order to ensure compliance with Article R. 225-77, R. 225-79 and R. 225-85 *et seq.* of the regulatory portion of the French Commercial Code, instituted by decree No. 2007-431 dated 25 March 2007, and to set forth the terms and conditions applicable to voting electronically as these were presented to the shareholders' meeting.

New wording proposed:
"Ordinary and Extraordinary General Meetings are made up of all shareholders without distinction between the class of shares which they hold.

In all shareholders' meetings, shareholders are only entitled to exercise their right to vote if their shares have been recorded in the accounts in the name of the shareholder or the intermediary registered for its account pursuant to the legal and regulatory provisions on the third business day preceding the date of the shareholders' meeting at midnight, Paris time, either in the accounts of registered securities held by the Company for registered shares, or in the accounts of bearer securities held by an intermediary authorised for bearer shares.

This accounting record is officially acknowledged in accordance with the terms laid down by law.

Shareholders may vote by proxy or by correspondence at General Meetings under the conditions laid down by law.

In order to be taken into account, the voting forms and proxies must be received by the Company at least three days prior to the Meeting, unless a shorter term is decided by the Board of Directors or is stipulated by law.

Pursuant to the Board of Directors' decision, communicated by way of the notice of meeting and/or the convocation to the meeting, any shareholder may vote at a shareholders' meeting by proxy or by correspondence *via* any electronic means of telecommunication in accordance with the conditions set by law. In these cases, forms for voting at a distance or by proxy, as well as participation certificates, can be completed by way of a duly signed electronic medium under the conditions set forth by the applicable legal and regulatory provisions.

To this end, completing and electronically signing the form can be done directly on the Internet site created by the centralizing agent of the shareholders' meeting. The electronic signature of the form can be carried out (i) by entering an identification code and password, under the conditions that comply with the provisions of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, or (ii) by any other process satisfying the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code. The power to vote by proxy or the vote expressed as such before the shareholders' meeting by way of this electronic method as well as, if applicable, the proof of receipt delivered after the power to vote by proxy or the vote is expressed, will be considered as a written proof that is irrevocable and binding to all, excluding cases of sales of securities that are subject to the notification set forth in paragraph IV of Article R. 225-85 of the French Commercial Code.

A shareholder may be represented by another shareholder or by his or her spouse.

However, in compliance with the 7th paragraph of Article L. 228-1 of the French Commercial Code, the owners of the securities may be represented by a registered intermediary, in the conditions set down by law.

Any shareholder having voted at a distance, or sent a proxy or requested his or her admission card or an attendance certificate, may at any time sell all or some of his or her shares pursuant to which he or she transmitted his or her vote or proxy or requested one of these documents. Any sale occurring prior to the third business day before the shareholders' meeting at midnight, Paris time, shall be taken into account in the conditions laid down by law.

The Board of Directors shall have the powers to organise, within the limits of the law, the attendance and voting of the shareholders at General Meetings by videoconferencing or by any telecommunications means enabling the identification of such shareholders. If applicable, this decision of the Board of Directors shall be communicated in the notice of the meeting and/or the invitation to attend. Those shareholders attending shareholder's meetings by videoconference or by these other means are deemed to be present for the purposes of calculating the quorum and the majority."

Notification of holdings exceeding certain percentages

(Article 7 of the Articles of Association)

In addition to the legal obligation to notify ALSTOM of certain shareholding levels set forth in Articles L. 233-7 to L. 233-11 of the French Commercial Code, any individual or legal entity acquiring a number of ALSTOM shares giving a shareholding in excess of 0.5% of the total number of shares issued must notify ALSTOM by letter, fax or telex of the total number of shares that he possesses within five trading days of this threshold being exceeded. Notification is to be repeated under the same conditions whenever an additional 0.5% threshold is exceeded, up to and including a threshold of 50%. To determine these thresholds, both indirectly held shares and shares classified with shares owned (as defined by the provisions of Articles L. 233-7 *et seq.* of the French Commercial Code) should also be taken into account.

In each of the above-mentioned notifications, the declaring person must certify that the notification includes all shares held or owned in the sense of the preceding paragraph. Such notification must also indicate the acquisition date(s). In the event of non-observance of the above provisions and in accordance with the conditions and levels established by law, a shareholder shall lose the voting rights relating to the shares in excess of the thresholds which should have been notified, if one or more shareholders holding at least 3% of the share capital so require(s).

Any shareholder whose shareholding falls below one of the above-mentioned thresholds is also under an obligation to notify ALSTOM within the same length of time *(i.e.* five trading days) and by the same means.

Identification of holders of bearer shares

(Article 7 of the Articles of Association)

ALSTOM may, under the conditions laid down by the legal and regulatory provisions in force, request any officially authorised organisation or intermediary to pass on all information concerning its shareholders or holders of its stock conferring an immediate or subsequent right to vote, their identity and the number of shares that they hold.

Appropriation of income

(Article 20 of the Articles of Association)

The profits for fiscal year consist of the revenues relating to the preceding fiscal year, less overheads and other company expenditure including provisions and depreciation allowances.

At least 5% is set aside from the profits less any previous losses if appropriate to form the legal reserve fund. This provision ceases to be mandatory once the value of the fund reaches one-tenth of the share capital.

The remainder (less the above deductions) of the retained earnings and withdrawals from the reserves which the General Meeting has at its disposal shall, if the General Meeting so desires, be distributed among the shares, once the sums carried forward by the said Meeting or transferred by it to one or more reserve funds have been deducted.

After the General Meeting has approved the accounts, any losses are carried forward and imputed to the profits of future fiscal years until they are discharged.

Each shareholder may be granted, at the General Meeting, for all or part of the dividend or interim dividend to be distributed, an option to be paid the dividend or interim dividends in cash or in shares of ALSTOM, under the current legal and regulatory conditions. Dividends not claimed at the expiration of a five-year period are paid to the French Tax Entity *"Trésor Public"*.

The Articles of Association do not contain any provision, which may delay, postpone or prevent a change of control.

DOCUMENTS ACCESSIBLE TO THE PUBLIC

The legal documents relating to the Company and the Group, which are required to be accessible by the shareholders according to the applicable law are available for inspection at the Company's registered office and some of them are available on the Company's website, in particular in section "Regulated information" as per Article L. 451-1-2 of the French *Code monétaire et financie*r (www.alstom.com or www.alstom.fr).

ALSTOM annual reports for the last five fiscal years are also available on the Company's website, section Investors/Annual reports.

ACTIVITY OF THE HOLDING COMPANY

ALSTOM is the holding Company of the Group. ALSTOM investments consist exclusively of the shares of ALSTOM Holdings. ALSTOM centralises a large part of the external financing of the Group and directs the funds so obtained to its subsidiary ALSTOM Holdings through loans and current account. Fees from its indirect subsidiaries for the use of the ALSTOM name are ALSTOM's main other source of revenue. For more information, see section "Financial information – Statutory accounts – Comments on ALSTOM's statutory accounts".

INTELLECTUAL PROPERTY

The Group owns or benefits from licenses for the use of several trade names, patents and other intellectual property rights. All these rights contribute to the good performance of the business, but none of the licenses alone currently has a material relevance for the activities of the Group.

PROPERTY

The Group carries out its activities on some sites upon which it has rights of different nature. The Group has full ownership of most of its main industrial sites.

The Group set up a leasing strategy for its offices buildings, which applies notably to the Headquarters of the Group and of the Sectors.

The gross value of land and buildings fully owned and leased (financial leases) as of 31 March 2008 is €1,241 million. The depreciation booked for the above is €537 million. These amounts do not include operating leases.

The Group's tangible assets are subject to costs for general maintenance and repairs required for their good functioning, to meet with legal and quality requirements, including environmental, health and safety matters.

Main industrial sites held in full property (non exhaustive list)

		Main businesses
Belgium	Marchienne au Pont	Power Service
	Charleroi	Transport
Brazil	Cabo de Santo Agostinho	Power Systems
	Lapa	Transport
	Taubaté	Joint venture ALSTOM Hydro Holding
Czech Republic	Brno – Olomoucka	Power Systems & Power Service
France	Aytré/La Rochelle	Transport
	Belfort	Power Systems & Power Service & Transport
	Grenoble	Joint venture ALSTOM Hydro Holding
	Le Creusot	Transport
	Ornans	Transport
	Reichshoffen	Transport
	Valenciennes	Transport
Germany	Berlin (Lessingstraße)	Power Service
	Bexbach	Power Systems
	Kassel	Power Systems
	Mannheim	Power Systems & Power Service
	Salzgitter	Transport
India	Durgapur	Power Systems
	Shahabad	Power Systems
	Vadodara	Power Systems & Power Service
Italy	Colleferro	Transport
	Savigliano	Transport
Switzerland	Birr	Power Systems & Power Service
USA	Chattanooga (TN)	Power Systems
	Concordia (KS)	Power Systems
	Richmond (Virginia)	Power Service
	Wellsville (NY)	Power Systems

MATERIAL CONTRACTS

In the past two years immediately before the issue of this "Document de Référence", ALSTOM and/or companies of the Group have entered into the following material agreements (other than the agreements entered into during the ordinary course of business):

- on 26 April 2006, ALSTOM and Bouygues SA signed a memorandum of understanding for commercial and operational cooperation;
- on 31 October 2006, ALSTOM Power Centrales and ALSTOM Holdings completed a joint venture transaction with Bouygues SA in which Bouygues SA acquired 50% of the share capital of ALSTOM Hydro Holding, a company specialised in hydropower equipment activity;
- main acquisitions, partnerships and disposals completed during the last three fiscal years are identified in Note 4 of the consolidated financial statements as of 31 March 2008 (see section "Financial information – Consolidated financial statements").

See also section "Group activity – Overview – Main events of fiscal year 2007/08".

DETAILS ON SHAREHOLDINGS TAKEN AND SOLD DURING FISCAL YEAR 2007/08

Including information as per Article L. 233-6 of the French Commercial Code.

Details on shareholdings taken during fiscal year 2007/08

On 4 May 2007, ALSTOM Power Inc. completed the acquisition of the business of Holmes Bros. Inc., a US company which is engaged in the manufacturing of turbine parts and associated systems.

On 29 June 2007, ALSTOM Holdings and ALSTOM Power Holdings SA entered into an agreement with OAO Atomenergomash and OAO Machine Building Plant Zio-Podolsk to form ALSTOM Atomenergomash, a joint venture, in which ALSTOM Power Holdings holds 49%, dedicated to the manufacture of conventional islands of nuclear power plants in Russia.

On 6 July 2007, ALSTOM Finland OY acquired 100% of the share capital of RMG-yhtiot Oy, a Finnish company involved in the business of assembling, installing and maintaining of industrial machinery and equipment.

On 24 August 2007, ALSTOM (China) Investment Co. Ltd. completed the acquisition of 51% of the share capital of Wuhan Boiler Company Limited ("WBC"), a Chinese company listed on the Shenzhen stock exchange, following the general offer launched by ALSTOM Holdings as required by Chinese stock exchange rules. WBC's activities include the engineering and construction of boilers for steam power plants.

On 16 October 2007, ALSTOM Belgium S.A., owner of 51% of the share capital of ALSTOM ACEC Énergie, a Belgian company, acquired the remaining 49%. ALSTOM ACEC Énergie is engaged in the design, manufacture, and maintenance and repair of devices, machinery and units of mechanical, hydraulic and nuclear systems.

On 31 October 2007, ALSTOM España IB, S.L. acquired 100% of the "quotas" of Ecotècnia Energias Renovables, S.L., a Spanish company engaged in the design, manufacture, maintenance and operation of wind turbines and renewable energies and environmental technologies.

On 11 December 2007, ALSTOM Power Holdings S.A. acquired 100% of the share capital of Turboteh d.o.o., a Croatian company engaged in the business of design, production, overhaul, servicing and assembly of power plants.

On 4 February 2008, ALSTOM Hydro France acquired the hydro-mechanical equipment business from the French company SDEM Entreprises SA.

Details on direct or indirect shareholdings sold during fiscal year 2007/08

On 30 April 2007, ALSTOM Power Boiler GmbH sold 100% of its shareholding of ALSTOM Power Environmental Consult GmbH, an environmental consulting company, to Sconvey GmbH.

On 1 October 2007, ALSTOM UK Holdings Ltd. completed a joint venture transaction with Balfour Beatty Group Limited in which each of them acquired 50% of the share capital of Signalling Solutions Limited, a UK company that will perform signalling works and signalling services in the United Kingdom and the Republic of Ireland.

On 26 October 2007, ALSTOM Limited completed the sale of the business of design, assembly, supply and testing of specialist aviation lighting to Drovestem Limited.

On 2 November 2007, ALSTOM India Limited and ALSTOM Mauritius Limited completed the sale of 100% of the share capital of ALSTOM Energy Limited, an Indian company engaged in the business of manufacture and sale of induction motors and fans, to Regal Beloit Finance BV and Dutch Horizon I L.L.C.

On 28 November 2007, ALSTOM Transporte S.A. completed a joint venture transaction with Renfe-Operadora, in which ALSTOM Transporte S.A. acquired 51% and Renfe-Operadora acquired 49% of the share capital of Irvia Mantenimiento Ferroviario, S.A., a Spanish company, which will perform the business of maintenance for railway rolling stock and railway installations.

SIGNIFICANT CHANGE IN THE FINANCIAL OR COMMERCIAL CONDITION

To the Company's knowledge, no significant change in the financial or commercial condition of the Group has occurred since 6 May 2008, date of approval of the latest accounts published.

Information on the share capital

As of 31 March 2007, ALSTOM's share capital amounted to €1,940,640,814 consisting of 138,617,201 shares of the same class and fully paid of €14 par value each.

As of 31 March 2008, ALSTOM's share capital amounts to €1,982,429,778 consisting of 141,602,127 shares of the same class and fully paid, with a nominal value of €14 per share, following the operations completed during fiscal year 2007/08 and identified in the table below.

On 19 May 2008 ALSTOM's share capital was increased to € 1,989,122,436, divided into 142,080,174 shares of € 14 nominal each, following the operations below:

- reimbursement in shares of 69,791 ORA(1), when 2,193 shares were created;
- exercise of 12,450 options, when 12,450 shares were created;
- delivery of 463,404 shares in relation to 2006 Free shares plan.

Operation	Number of shares issued	New number of shares after operation	New amount of share capital after operation (in €)
31 March 2007		138,617,201	1,940,640,814
20 June 2007			
Reimbursement in shares of 117,813 ORA*	3,701	138,620,902	1,940,692,628
30 September 2007			
Reimbursement in shares of 771,474 ORA*	24,226	138,645,128	1,941,031,792
Exercise of 641,235 stock options	641,235	139,286,363	1,950,009,082
31 December 2007			
Reimbursement in shares of 82,183 ORA*	2,592	139,288,955	1,950,045,370
Exercise of 442,949 stock options	442,949	139,731,904	1,956,246,656
31 January 2008			
Reimbursement in shares of 18,813,137 ORA*	590,734	140,322,638	1,966,054,832
Exercise of 109,850 stock options	109,850	140,432,488	1,966,054,832
20 February 2008			
Capital increases reserved to employees	350,012	140,782,500	1,970,955,000
Capital increases reserved to the company Sharing Plus	256,808	141,039,308	1,974,550,312
31 March 2008			
Reimbursement in shares of 2,085,348 ORA*	65,491	141,104,799	1,975,467,186
Exercise of 497,328 stock options	497,328	141,602,127	1,982,429,778

* Subordinated bonds 2% December 2008 redeemable in Company's shares.

There are no double voting rights or voting rights restrictions attached to the shares comprising the share capital. The number of voting rights is identical to the number of shares.

To the knowledge of the Company, there is to date no pledge on the shares of the Company or of its significant subsidiaries.

Following the consolidation of the Company's shares completed on 3 August 2008, the shareholders had two years, *i.e.* until 4 August 2007, to claim the consolidated shares. On 6 August 2007, the consolidated shares not claimed by their beneficiaries were sold on the stock exchange and the net proceeds of the sale will be held at their disposal for a period of ten years on a blocked account opened with the financial institution appointed by the Company to hold the Company's share registry.

Given the stock market valuation of the share, it will be proposed to the next Ordinary and Extraordinary General Meeting scheduled on 24 June 2008 to carry out a two-for-one split of the par value of the share. Each share of par value €14 comprising the share capital as of the date of the par value split will be, in full right, exchanged for 2 shares of par value €7 each and entitled to the same rights as the previous shares. This transaction would be carried out after the dividend offered for fiscal year 2007/08 is paid out, *i.e.* after 1 July 2008.

If the split of the par value is approved by the shareholders' meeting, the number of shares that could possibly be obtained by the beneficiaries of Company stock options allocated prior to the par value split will be multiplied by two, while the unitary exercise prices of these options will be divided by two. The number of shares that could possibly be obtained by the beneficiaries of a free allocation of shares with respect to plans decided on prior to the par value split will be multiplied by two. The redemption ratio of the ORA will also be changed to take into account the split of the par value.

FINANCIAL AUTHORISATIONS

Including information as per Article L. 225-100 of the French Commercial Code.

The table below sets forth the authorisations (i) to increase the share capital (ii) to grant stock options to subscribe or purchase shares (iii) to repurchase shares and (iv) to reduce the share capital that are in force as of 6 May 2008 and their use during the fiscal year:

Nature of the authorisation	Maximum nominal amount authorised	Nominal amount used during fiscal year	Available amount	Expiry/Duration
Issuance of securities				
Delegation of authority to issue shares and securities giving access to the share capital with preferential subscription right and/or by capitalisation of reserves (AGM 26 June 2007, resolution No. 13)	Share capital: €600 million Debt securities: €2 billion	None	Maximum nominal amount authorised	26 Aug. 2009 (duration: 26 months)
Authorisation to increase the share capital by up to 10% of the share capital to remunerate contributions in kind (AGM 26 June 2007, resolution No. 15)	10% of the share capital at the date of the shareholders' meeting	None	Maximum nominal amount authorised	26 Aug. 2009 (duration: 26 months)
Delegation of authority to issue securities giving right to debt securities (AGM 26 June 2007, resolution No. 16)	Debt securities: €2 billion	None	Maximum nominal amount authorised	26 Aug. 2009 (duration: 26 months)
Offerings to employees and executives				
Authorisation to grant stock options to subscribe or purchase shares (AGM 26 June 2007, resolution No. 21)	Increase in share capital: 5% at the date the options are granted by the Board of Directors, less any amount issued by virtue of resolution No. 18	848,600 options, *i.e.* 0.6% of the share capital(1)	5,905,109 options, *i.e.* 4.2% of the share capital(1), less any amount issued by virtue of resolution No. 18	26 Aug. 2010 (duration: 38 months)
Authorisation of free allocation of existing or new shares (AGM 26 June 2007, resolution No. 18)	2.5% of the share capital at the date of the shareholders' meeting, to be deducted from the 5% overall limit set in resolution No. 21	177,336 shares, *i.e.* 0.12% of the share capital(1) (2)	3,288,186 shares, *i.e.* 2.3% of the share capital(1) to be deducted from the overall limit set in resolution No. 21	26 Aug. 2010 (duration: 38 months)
Authorisation to issue shares and other securities granting rights to the share capital, reserved for members of a Group savings plan (AGM 26 June 2007, resolution No. 19)	2.5% of the share capital at the date of the shareholders' meeting, less any amount issued by virtue of resolution No. 20	350,012 shares, *i.e.* approx. 0.24% of the share capital(1)	2,858,702 shares, *i.e.* 2% of the share capital(1), less any amount issued by virtue of resolution No. 20	26 Aug. 2009 (duration: 26 months)
Delegation of authority to issue shares reserved for a category of beneficiaries (AGM 26 June 2007, resolution No. 20)	0.5% of the share capital at the date of the shareholders' meeting, to be deducted from the overall limit set in resolution No. 19	256,808 shares, *i.e.* 0.2% of the share capital(1)	436,296 shares, *i.e.* 0.3% of the share capital(1) to be deducted from the overall limit set in resolution No. 19	26 Dec. 2008 (duration: 18 months)
Share buy back				
Authorisation to repurchase shares (AGM 26 June 2007, resolution No. 12)	10% of the share capital as of 31 March 2007	None	Maximum nominal amount authorised	Until the date of the shareholders' meeting held to approve the financial statements for the fiscal year 2007/08
Authorisation to reduce the share capital by cancellation of shares (AGM 26 June 2007, resolution No. 22)	10% of the share capital	None	Maximum nominal amount authorised	26 June 2009 (duration: 24 months)

(1) On the basis of the share capital as of 31 March 2008.

(2) Comprising a maximum of 51,336 shares allocated under the « ALSTOM Sharing 2007 » offered to members of ALSTOM Group Savings plan and 126,000 conditional shares allocated under the long term in incentive plan (LTI No. 10) which combines the allocation of stock options and free shares subject to achievement of Group's performance targets.

It will be proposed to the next Ordinary and Extraordinary General Meeting scheduled on 24 June 2008 to cancel some of these authorisations for their unused portion and to renew them as follows:

Nature of the authorisation	Maximum nominal amount authorised	Expiry/Duration
Issuance of securities with and without preferential subscription right		
Delegation of authority to issue shares and securities giving access to the share capital with preferential subscription right and/or by capitalisation of reserves (AGM 24 June 2008, resolution No. 11)	Share capital: €600 million(1) (approx. 30% of the share capital) Debt securities: €2 billion(2)	24 August 2010 (duration: 26 months)
Delegation of authority to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right and option to offer a priority right (AGM 24 June 2008, resolution No. 12)	Share capital(1): €250 million corresponding to approx. 13% of the share capital, less any capital increase in consideration of contributions in kind issued by virtue of the resolution No. 13 Debt securities: €1 billion(2)	24 August 2010 (duration: 26 months)
Authorisation to increase the share capital by up to 10% of the share capital to remunerate contributions in kind (AGM 24 June 2008, resolution No. 13)	10% of the share capital(1) at the date of the shareholders' meeting. Such maximum amount shall reduce the overall limit set in resolution No. 12	24 August 2010 (duration: 26 months)
Offerings to employees		
Authorisation to issue shares and other securities granting rights to the share capital reserved for members of a Group savings plan (AGM 24 June 2008, resolution No. 14)	2% of the share capital at the date of shareholders' meeting, less any amount issued by virtue of resolution No. 15(3)	24 August 2010 (duration: 26 months)
Authorisation to issue shares reserved for a category of beneficiaries (AGM 24 June 2008, resolution No. 15)	0.5% of the share capital at the date of the shareholders' meeting(3). Such maximum amount shall reduce the overall limit set in resolution No. 14	24 December 2009 (duration: 18 months)
Share buy back		
Repurchase of Company's shares (AGM 24 June 2008, resolution No. 10)	10% of the share capital	Until the date of the shareholders' meeting held to approve the financial statements for the fiscal year 2008/09

(1) Global limitation of the capital increases resulting from these three authorisations to €600 million corresponding to approximately 30% of the share capital (excluding any potential adjustments).

(2) Global limitation of the amount of debt securities resulting from these two authorisations to €2 billion.

(3) Global limitation of capital increases resulting from these two authorisations to 2% of the share capital (excluding any potential adjustments).

CHANGES IN SHARE CAPITAL

	Number of shares issued	Nominal amount of capital increase (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
31 March 2005				**5,497,211,409**	**1,924,023,993.15**
Increase in share capital resulting from the exercise of ORA before the consolidation of shares(1)	390,311	136,608.85	298,484.25	5,497,601,720	1,924,160,602.00
Consolidation of shares(2) (3 August 2005)	137,440,043	-	-	137,440,043	1,924,160,602.00
Increase in share capital resulting from the exercise of ORA(1)	730,733	10,230,262.00	22,347,066.40	138,170,776	1,934,390,864.00
31 March 2006				**138,170,776**	**1,934,390,864.00**
Increase in share capital resulting from the exercise of ORA(1) (20 June 2006)	76,172	1,066,408.00	2,330,117.24	138,246,948	1,935,457,272.00
Increase in share capital resulting from the exercise of ORA(1) and options (30 September 2006)	12,046	168,644.00	337,707.96	138,258,994	1,935,625,916.00
Increase in share capital resulting from the exercise of ORA(1) (31 March 2007)	358,207	5,014,898.00	10,956,523.70	138,617,201	1,940,640,814.00
31 March 2007				**138,617,201**	**1,940,640,814.00**
Increase in share capital resulting from the exercise of ORA(1) (20 June 2007)	3,701	51,814.00	104,202.69	138,620,902	1,940,692,628.00
Increase in share capital resulting from the exercise of ORA(1) and options (30 September 2007)	665,461	9,316,454.00	2,802,096.98	139,286,363	1,950,009,082.00
Increase in share capital resulting from the exercise of ORA(1) and options (31 December 2007)	445,541	6,237,574.00	1,497,897.01	139,731,904	1,956,246,656.00
Increase in share capital resulting from the exercise of ORA(1) and options (31 January 2008)	700,584	9,808,176.00	18,419,820.20	140,432,488	1,966,054,832.00
Increase in share capital reserved to employees and the company Sharing Plus (20 February 2008)	606,820	8,495,480.00	60,639,522.60	141,039,308	1,974,550,312.00
Increase in share capital resulting from the exercise of ORA(1) and options (31 March 2008)	562,819	7,879,466.00	5,787,967.55	141,602,127	1,982,429,778.00
31 March 2008				**141,602,127**	**1,982,429,778.00**

(1) Subordinated bonds reimbursable into shares issue with maintenance of the subscription rights on 23 December 2003, reimbursable into shares originally with one bond giving right to one share of €14 par value, then since 16 August 2004, with one bond giving right to 1.2559 shares of €0.35 par value and since 3 August 2005, with one bond giving right to 0.0314 share of €14 par value.

(2) Consolidation in the ratio of one new share of €14 par value for each 40 shares of €0.35 par value.

OWNERSHIP OF ALSTOM SHARES

Information as per Articles L. 225-102 and L. 233-13 of the French Commercial Code.

To the Company's knowledge based on notifications received until 23 May 2008 included, the table below shows the voting rights and the shares held by shareholders with more than 0.50% of our share capital as of 31 March 2008:

	Share capital as of 31 March 2008		Share capital as of 31 March 2007		Share capital as of 31 March 2006	
	Number of shares	% of the share capital and voting rights(1)	Number of shares	% of the share capital and voting rights(1)	Number of shares	% of the share capital and voting rights(1)
Public	66,382,969	46.86%	91,799,452	66.22%	99,764,339	72.20%
Bouygues SA	42,487,349	30.00%	35,136,749	25.35%	-	-
FMR LLC	9,702,993	6.85%	-	-	-	-
Morgan Stanley & Co International plc	4,653,398	3.29%	774,572	0.56%	774,572	0.56%
Natixis Asset Management	2,811,849	1.99%	-	-	-	-
Crédit Agricole Asset Management	2,176,898	1.54%	2,144,658	1.54%	737,533	0.53%
Caisse des Dépôts et Consignations	2,075,633	1.47%	2,075,633	1.50%	3,325,658	2.41%
Artisan Partners Limited Partnership	2,050,453	1.45%	2,500,497	1.81%	-	-
Groupama Asset Management	1,755,936	1.24%	708,134	0.51%	708,134	0.51%
BNP PAM Group	1,609,530	1.14%	1,063,435	0.77%	1,410,922	1.02%
Employees (2)	1,548,029	1.09%	1,242,674	0.89%	1,226,977	0.89%
Marsico Capital Management	1,468,569	1.04%	-	-	-	-
FIL Limited	1,297,323	0.92%	-	-	-	-
UBS Global Asset Management	863,487	0.61%	453,686	0.33%	453,686	0.33%
Groupe Crédit Agricole	717,711	0.51%	717,711	0.52%	717,711	0.52%
French Republic	-	-	-	-	29,051,244	21.03%
Total	**141,602,127**	**100%**	**138,617,201**	**100%**	**138,170,776**	**100%**

(1) % calculated based on the share capital as of 31 March 2008 and not based on the share capital on the date of the declaration.

(2) Shares held by employees and former employees of the ALSTOM Group savings plan, which corresponds to approximately 0.55% held directly and approximately 0.54% held through FCPE.

To the knowledge of ALSTOM, on the basis of declarations of threshold crossing received, excluding notifications received from registered brokers, no other shareholder holds, directly or indirectly, more than 0.50% of the share capital or voting rights of the Company as of 31 March 2008.

On 10 July 2007, FMR LLC and FIL Limited declared that they hold on an aggregated basis 5.003% of the share capital and voting rights of the Company. By a press release dated 24 April 2008 FMR LLC and FIL Limited declared that they will no more aggregate their respective shareholdings in French listed companies and have decided to make in the future autonomous and separate declarations of threshold's crossings. On 16 May 2008 FMR LLC and FIL Limited informed the Company that they respectively hold 9,702,993 shares, e.g. 6.85% of the Company's share capital and voting rights for FMR LLC and 1,297,323 shares, e.g. 0.92% of the Company's share capital and voting rights for FIL Limited. FMR LLC and FIL Limited are parent companies of two independent groups of asset management companies, commonly called Fidelity International and Fidelity Investment respectively.

On 26 June 2006, the French State sold to Bouygues SA its whole stake of 21.03% in the Company's share capital (corresponding to 29,051,244 shares) following the approval of the European Commission antitrust authority and the closing of the ALSTOM Marine disposal. As part of an agreement with the French State on 26 April 2006, Bouygues SA gave an undertaking to the French State to retain the shares for a three-year period expiring in June 2009.

On 30 November 2006, Bouygues SA declared that it had crossed the threshold of 25% of the share capital and voting rights of the Company following an acquisition on the stock market and that it held 34,663,214 shares representing the same number of voting rights, *i.e.* 25.07%.

As of 6 May 2008, Bouygues SA holds 42,487,349 shares of ALSTOM, *i.e.* 30% of the share capital and voting rights of the Company.

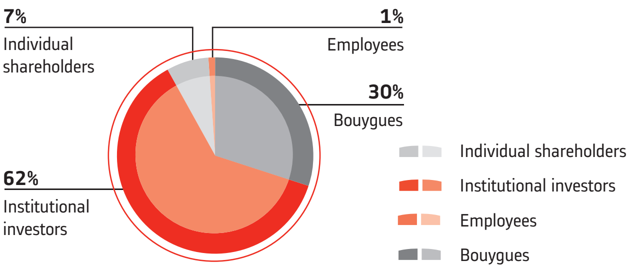
To the knowledge of ALSTOM, and excluding the undertaking towards the French State dated 26 April 2006 mentioned above, no shareholders' agreement concerning its share capital is in place.

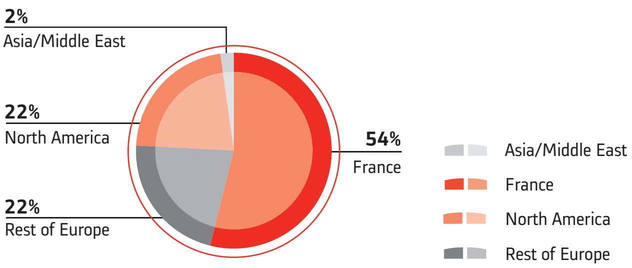
As of 6 May 2008, 194,006 shares are held by the individual Directors of the Company and 160,037 shares are held by the members of the Executive Committee, representing in total approximately 0.25% of ALSTOM's share capital and voting rights as of 31 March 2008. The company Bouygues SA is a Director of ALSTOM since 18 March 2008 and holds 30% of the share capital and voting rights of the Company as of 31 March 2008.

A table identifying the operations as per Article L. 621-18-2 of the French Monetary and Financial Code is available in section "Corporate governance – Interest of the officers and employees in the share capital".

ALSTOM does not hold, directly or indirectly through companies it controls, any of its own shares and each Director holds at least the number of shares required by the by-laws.

According to an enquiry carried out in April 2008, the Group believes to have 215,000 shareholders.





Source: Shareholders' enquiry carried out in April 2008.

SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

Including information as per Article R. 228-91 of the French Commercial Code.

The securities giving access to the Company's share capital are composed of:

- the subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA");
- the rights resulting from free allocations of shares; and
- stock options to subscribe shares.

There are no other securities granting rights to the share capital of the Company.

Subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA")

Within the framework of the implementation of the financing agreement signed with the French Republic and the main banks of the Group in September 2003, the Chairman and Chief Executive Officer, using the powers delegated to him by the Board of Directors, acting pursuant to the authorisation given by the General Meeting of 18 November 2003, proceeded in December 2003 with:

- the issue of subordinated bonds for a nominal amount of €300 million with a fixed duration and reimbursable into shares of the Company ("TSDD RA"), whose subscription has been reserved to the French Republic and which were automatically reimbursed into Company's shares on 7 July 2004 following the approval of this reimbursement by the European Commission;
- the issue of subordinated 2% bonds due December 2008 for €901,313,660.80 and reimbursable in Company's shares ("ORA") with preferential subscription rights which may lead to the issue of a maximum of 643,795,472 new shares (before consolidation) with a ratio of one new share for one bond (before adjustments).

The redemption ratio of the ORA was changed in August 2004 to take into account the share capital increase with preferential subscription rights of 13 August 2004, and then in August 2005 following the consolidation of the shares comprising the share capital. As a result, since 3 August 2005, each ORA entitles the holder to subscribe 0.0314 ALSTOM share of €14 par value.

As of 31 March 2008, 608,789,040 ORA were reimbursed in shares totalling 94.56% of the issue, while 35,006,432 ORA were outstanding.

As of 30 April 2008, 608,858,831 ORA were reimbursed in shares totalling 94.57 % of the issue, while 34,936,641 ORA were outstanding.

Free allocations of shares

See section "Corporate governance – Interest of the officers and employees in the share capital – Free shares plans".

Stock options

See section "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans".

POTENTIAL SHARE CAPITAL

As of 31 March 2008

	Total number of shares that may be issued	Amount of corresponding capital increase (in €)	% of the share capital as of 31 March 2008
Shares that may be issued in reimbursement of existing subordinated bonds 2% December 2008 redeemable in Company's shares ("ORA")(1)	1,099,201	15,388,814	0.77%
Shares that will be issued on the basis of the free allocation of shares(2)	695,120	9,731,680	0.50%
Shares that may result from the exercise of existing stock option plans(3)	4,888,842	68,443,788	3.45%
Total	**6,683,163**	**93,564,282**	**4.72%**

(1) See section "Information on the share capital – Securities giving access to the share capital".

(2) See section "Corporate governance – Interests of the officers and employees in the share capital – Free shares plans".

(3) See section "Corporate governance – Interests of the officers and employees in the share capital – Stock options plans".

As of 19 May 2008

Following the exercise of ORA and options, and the delivery of free shares in relation to the 2006 Free Shares Plan :

	Total number of shares that may be issued	Amount of corresponding capital increase (in €)	% of the share capital as of 19 May 2008
Shares that may be issued in reimbursement of existing subordinated bonds 2% December 2008 redeemable in Company's shares ("ORA")(1)	1,097,010	15,358,140	0.77 %
Shares that will be issued on the basis of the free allocation of shares(2)	231,716	3,244,024	0.16 %
Shares that may result from the exercise of existing stock option plans(2)	4,876,392	68,269,488	3.43 %
Total	**6,205,118**	**86,871,652**	**4.36 %**

(1) See section "Information on the share capital – Securities giving access to the share capital".

(2) See section "Information on the share capital", page 218.

REPURCHASE OF SHARES

Information as per Article L. 225-11 of the French Commercial Code.

Use by the Board of Directors of the authorisation granted by the shareholders' meeting

Acting pursuant to Article L. 225-209 of the French Commercial Code, the Ordinary and Extraordinary General Meeting held on 26 June 2007 authorised the Board of Directors to purchase on a stock exchange or otherwise, and by any means, ALSTOM's shares within the limit of a number of shares representing 10% of ALSTOM's share capital as of 31 March 2007, *i.e.* a theoretical number of 13,861,720 shares for a duration expiring after the shareholders' meeting called to approve the financial statements for the fiscal year starting on 1 April 2007. This share purchase programme has not been used by ALSTOM.

Presentation of the share purchase programme submitted to the approval of the Ordinary and Extraordinary General Meeting called on 24 June 2008

The section below constitutes the presentation of the share purchase programme which will be submitted to the approval of the Ordinary and Extraordinary General Meeting called on 24 June 2008, pursuant to Article 241-2, of the General Regulation of the French *Autorité des marchés financiers.*

ALSTOM did not implement any share purchase programme as of today.

NUMBER OF SHARES AND PORTION OF THE SHARE CAPITAL HELD DIRECTLY OR INDIRECTLY BY ALSTOM

ALSTOM does not hold directly or indirectly any shares composing its share capital and any securities giving access to its share capital.

SPLIT OF OBJECTIVES

Not applicable.

OBJECTIVES OF THE SHARE PURCHASE PROGRAMME

This share purchase programme may be used with the purpose to:

- cancel the shares acquired under the conditions set forth by law (within the framework of the twenty-second resolution of the shareholders' meeting of 26 June 2007);
- with the purpose of allocating or selling shares to employees, former employees or corporate officers of the Company and its affiliated companies as defined in Articles L. 225-180 and L. 233-16 of the French Commercial Code, in particular through stock option plans or free allocations of shares;
- in order to hold the shares purchased, or sell, transfer or exchange the shares purchased as part of or following any external growth transactions within the limit set forth in the 6th paragraph of Article L. 225-209 of the French Commercial Code;
- in order to deliver shares upon exercise of rights attached to securities giving access to the share capital;
- to ensure the liquidity of the market and to lead the Company's market through an authorised investment services provider within the framework of a liquidity contract complying with a code of ethics agreed upon by the French Stock Market Authority (AMF);
- as well as in the context of the active and optimised management of the Company's stockholders' equity and stockholders.

The purchase, sale, transfer or exchange of these shares may occur, in accordance with the rules set by the relevant regulatory bodies, on or off the stock exchange, by any means, including block transfer, the use or exercise of financial instruments, derivatives and, in particular through optional transactions such as the purchase and sale of put or call options, and at any time within the limits set forth by laws and regulations, excluding during any take-over period on the Company's share capital.

MAXIMUM PORTION OF SHARE CAPITAL AND MAXIMUM NUMBER OF SHARES WHICH MAY BE REPURCHASED

Pursuant to Article L. 225-209 *et seq.* of the French Commercial Code, the Board of Directors is allowed to purchase existing Company shares up to the number of shares that represent 10% of the Company's share capital as of 31 March 2008, *i.e.,* a theoretical maximum number of 14,160,212 shares of €14 nominal value, and a theoretical maximum aggregate purchase price of 2,832,042,400 based on the maximum purchase price set hereafter.

MAXIMUM PURCHASE PRICE

The purchase price may not exceed €200 per share, subject to adjustments relating to transactions affecting the Company's share capital. In the event of transactions dealing with the Company's share capital and, in particular, in the event of an increase in the share capital by the incorporation of reserves and the allocation of shares, free of charge, as well as in the event of a split or a consolidation of the shares, the maximum price indicated above shall be adjusted by a multiplying ratio equal to the number of shares included in the share capital before the transaction divided by the number of these shares after the transaction. Moreover, these shares could be transferred free of charge under the conditions specified by law, in particular Articles L. 443-1 *et seq.* of the French Work Code and L. 225-197-1 of the French Commercial Code.

Subject to the approval of the sixteenth resolution of the shareholders' meeting scheduled on 24 June 2008 pertaining to the two-for-one split of the par value of the share, the minimum purchase price will be set at €100 per share and the theoretical maximum number of shares that may be acquired will be increased to 28,320,424 shares.

DURATION

The share purchase programme will expire after the shareholders' meeting called to approve the financial statements of the fiscal year starting 1 April 2008.

CHARACTERISTICS OF THE SHARES WHICH MAY BE PURCHASED

Shares listed on the Euronext Paris (Compartment A).

Name: ALSTOM.

ISIN code: FR 0010220475.

ISSUE OF DEBT SECURITIES

On 11 May 2007, the Board of Directors gave full power to the Chairman and Chief Executive Officer, for a one-year period, to issue, in one or more times, bonds within a maximum nominal amount of €1.5 billion. This authorisation has not been used during fiscal year 2007/08.

This delegation of authority from the Board which was due to expire on 11 May 2008, has been cancelled and renewed by the Board held on 6 May 2008 for a new one year period and for a maximum nominal amount of €2 billion.

Furthermore, the delegations of competence to the Board of Directors approved by the Ordinary and Extraordinary General Meeting held on 26 June 2007 authorise the Board of Directors to decide upon the issuance of securities giving access to securities representatives of debt in accordance with the provisions of Article L. 228-92 of the French Commercial Code, for a maximum amount of €2 billion and for a duration of twenty-six months expiring on 26 August 2009. This authorisation has not been used during fiscal year 2007/08. See section "Additional information – Information on the share capital – Financial authorisations".

DIVIDENDS PAID OVER THE LAST THREE FISCAL YEARS

Information as per Article 243 bis of the French General Tax Code.

It will be proposed to the Ordinary and Extraordinary General Meeting called on 24 June 2008 to distribute dividends for a total amount of €226,563,403.20, corresponding to €1.60 per share of €14 nominal value, *i.e.* a doubling as compared to the dividend paid last fiscal year. It represents a rate of distribution of 26.5% of the Group's net profit.

The dividend coupon will be detached from the share on 26 June 2008 and can be paid out in cash on 1 July 2008. Under the assumption that, on the dividend payment date, the Company holds some of its own shares, the amount of the dividend on such shares would be carried over.

When such dividend is paid out to individuals residing in France for tax purposes, the dividend is subject to income tax at the progressive rate and eligible for a tax reduction of 40% resulting from Article 158-3-2° of the French General Tax Code and eligible for the annual fixed tax reduction, with the exception of the option for the 18% fixed full tax discharge withholding set forth in the fourth paragraph of Article 117 of the French General Tax Code that can be withheld at the time this dividend is cashed in or that may have been withheld from income received over the course of the same year.

A dividend of €0.80 per share, eligible for the 40% tax reduction referred to in Article 158-3-2° of the French General Tax Code, was distributed with respect to fiscal year 2006/07. No dividend has been distributed with respect to fiscal years 2005/06 and 2004/05.

See section "Financial information – Comments on the statutory accounts – Appropriation of results".

ELEMENTS WHICH MAY HAVE AN IMPACT IN CASE OF PUBLIC OFFER

Information as per Article L. 225-100-3 of the French Commercial Code.

Structure of the Company's share capital

A table detailing the structure of ALSTOM's share capital is presented in section "Additional information – Information on the share capital – Ownership of ALSTOM shares".

In addition, within the context of the creation of the joint venture named ALSTOM Hydro Holding, ALSTOM Power Centrales and ALSTOM Holdings, two subsidiaries of ALSTOM, on one side, and Bouygues SA on the other side, entered into a joint venture agreement dated 29 September 2006, as amended on 31 October 2006. The parties have in particular agreed in the joint venture agreement that Bouygues SA has the option to sell its shareholdings in the *société par actions simplifiée* ALSTOM Hydro Holding within twenty days as from 31 October 2009, or before this date in case of deadlock of the shareholders of ALSTOM Hydro Holding relating to certain decisions stipulated in the joint venture agreement. In case of exercise of this option, the ALSTOM Hydro Holding shares may be sold either for cash for a total amount of €175 million or against the contribution by ALSTOM Power Centrales of 2,2000,000 ALSTOM shares. Should Bouygues SA exercise its option in ALSTOM shares, ALSTOM Power Centrales is committed to makes its best endeavours to deliver the requested shares or, failing which, to pay to Bouygues SA a cash amount equal to 2,2000,000 multiplied by the closing share trading price of the ALSTOM share on the third trading day prior to the effective date of the sale by Bouygues SA of its shareholdings in the joint venture.

Stock options plans No. 7, 8 and 9 described in section "Corporate governance – Interest of the officers and employees in the share capital" allow an early exercise before the expiry of the three-years vesting period in certain circumstances among which in case of a public offering to buy and/or exchange the Company's shares.

By-laws articles restricting the exercise of voting rights and the transfer of shares, or other clauses of agreements known by the Company

None.

Direct or indirect shareholdings in the Company

As of 6 May 2008, Bouygues SA holds 30% of the share capital and voting rights of the Company. See also section "Additional information – Information on the share capital – Ownership of ALSTOM shares".

List of holders of any security granting special control rights

None.

Control mechanisms within employee shareholding schemes

The rules of the ALSTOM savings plan ("FCPE ALSTOM") provide that the Supervisory Board of the FCPE ALSTOM is entitled to vote in ALSTOM shareholders' meetings, and not employees directly. Therefore the Supervisory Board only is entitled to decide on the answer to be given in case of a public offer. The FCPE ALSTOM held 0.54% of the Company's share capital and voting rights as of 31 March 2008.

Shareholders' agreements that may restrict the transfer of shares and the exercise of voting rights

At the time of the acquisition by Bouygues SA of the French State's shareholding in the Company, corresponding to 21.03% of ALSTOM's share capital and voting rights, Bouygues SA gave an undertaking to the French State to retain this shareholding for a three-year period expiring in June 2009.

To the knowledge of ALSTOM and excluding the undertaking towards the French State mentioned above, there are no shareholders' agreement that may restrict the transfer of ALSTOM's shares and/or the exercise of ALSTOM's voting rights.

Specific rules governing the nomination and replacement of Directors, and the modification of the Company's bylaws

None.

Board of Directors' powers

The shareholders' meeting held on 26 June 2007 authorised the Board of Directors to acquire the Company's shares, within the limits set forth by laws and regulations, including during any take-over period. It will be proposed to the next Ordinary and Extraordinary General Meeting to be held on 24 June 2008 to renew this authorisation, excluding during any take-over on the Company's share capital. See also section "Additional information – Information on the share capital – Repurchase of shares".

Agreements that may be amended or terminated in case of a change of control of the Company

Our financing agreements, the terms of our bonds issues and bonding programmes include change of control clauses.

The bonds issues expiring 13 March 2009, 28 July 2008 and 3 March 2010 contain a change of control clause that allow any bondholder to request the early reimbursement of its bonds during a specific period of time, in case of change of control of ALSTOM.

Our syndicated credit facility currently amounting to €1 billion, which is not drawn as of today, contains a change of control clause that allows each financial institution party to this agreement to request the cancellation of its credit commitment and the early reimbursement of its participation in the credit in case of change of control of ALSTOM.

Our syndicated bonding programme of a maximum amount of €8 billion also contains a change of control clause which may result, in case of a change of control, in the programme being suspended, in the obligation to procure new bonds to replace outstanding bonds or to provide cash collateral, as well as the early reimbursement of our other debts as a result of their cross-default or cross-acceleration provisions.

The joint venture agreements that we have signed generally contain change of control clauses, that may trigger the obligation to sell our shareholding in these joint ventures.

Agreements providing indemnities to Board members or employees, if they resigned or are dismissed without actual and serious reason or if their employment ends due a public offer

The indemnity granted in certain circumstances to the Chairman and Chief Executive Officer is detailed in section "Corporate governance – Compensation of executive and non-executive Directors and members of the Executive Committee".

LISTING OF THE SHARES

Place of Listing: Euronext Paris.

ISIN Code:	FR0010220475.
Mnemonic:	ALO.
Par value:	€14.
Number of shares as of 31 March 2008:	141,602,127.
Stock market capitalisation as of 31 March 2008:	€19,444,804,080.
Indices:	CAC 40
	SBF 120
	Euronext 100

SHAREHOLDER INFORMATION

Contacts

Emmanuelle Châtelain – Vice President Investor Relations
Emmanuelle Douëzy – Individual Shareholders Manager

ALSTOM
3, avenue André Malraux
92300 Levallois-Perret
Tel.: 33 1 41 49 20 00
Fax: 33 1 41 49 79 25
E-mail: investor.relations@chq.alstom.com
Tell free number from France: 0800 50 90 51
From abroad, you can contact the team by composing +33 1 45 30 85 75 (calls to this number will be charged at your operator's standard international rate).

The role of the Investor Relations team is to provide the entire financial community – institutional investors, individual shareholders, and financial analysts – with complete, regularly updated information on the Group's strategy and its implementation.

Active communication policy for individual shareholders

Besides the Annual General Meeting, ALSTOM is developing opportunities to meet and communicate with its individual shareholders.

The Group took part in several information meetings in France – in Bordeaux, Lyon and Marseille – organised in association with the FFCI (the French Investment Club Federation) and the CLIFF (the French Association for Investor Relations). The Group had a stand at the annual Actionaria exhibition in France, where shareholders notably had the chance to meet the Chairman and Chief Executive Officer.

The Group also organises site visits for individual shareholders so that they can get a better insight into the way business works. For example, certain shareholders went to see TGV[1] (very high speed) trains and tramways being assembled at factories in La Rochelle and Valenciennes, and others watched a turbine being put together at the Belfort production plant. They were also able to discover an industrial turbine rehabilitation workshop at the site in La Courneuve.

In addition to annual reports and quarterly publications, ALSTOM offers its shareholders a range of information tools, including the shareholder letter which is published bi-annually to keep shareholders abreast of financial events.

Relations with institutional investors and financial analysts

Roadshows are organised several times a year in large American and European financial cities (France, USA, UK, Switzerland, Germany, Austria, Italy, Belgium, Luxembourg).

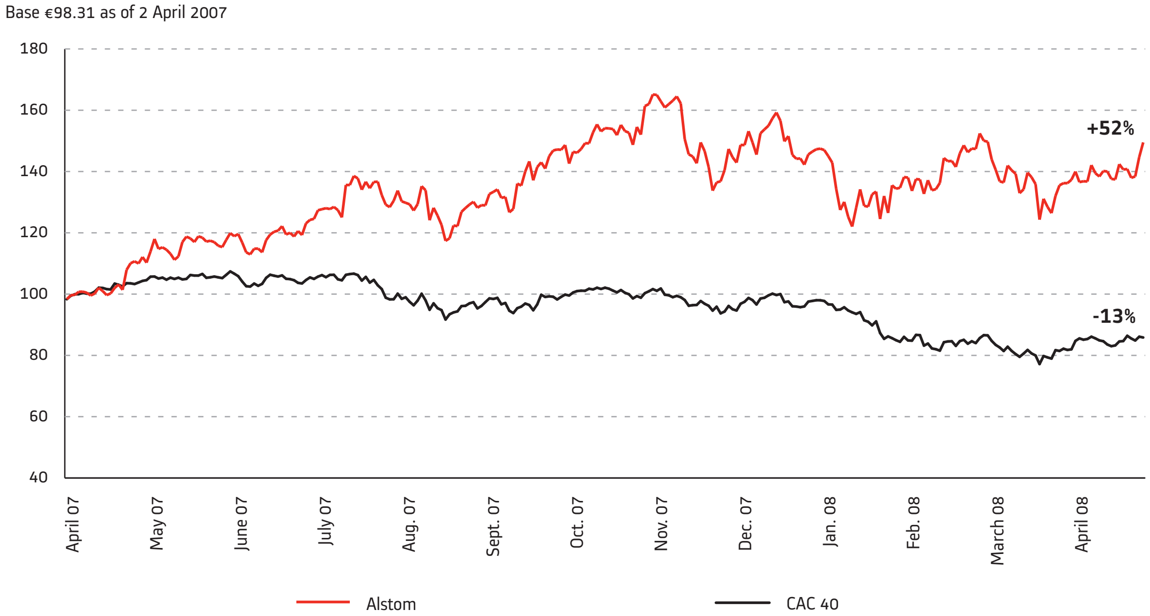
Information meetings (presentations on Sectors, strategy etc.), as well as individual meetings with investors and analysts took place throughout the year. The Group also organises an annual analyst day, to present its strategy and activities in a region. This year, the event took place in Dubai in the United Arab Emirates, where investors and analysts who were present had the opportunity to discover the Group's perspectives in Africa and the Middle East. They also visited a power station and the workshop of the Power Service Sector in Dubai. The Investors section on ALSTOM's website provides financial documentation, as well as debt information and a calendar of financial events.

Stock market news

In 2007, ALSTOM's share achieved the third best performance in the CAC 40, with a growth of 43%. On 31 March 2008, market capitalisation reached €19,444,804,080, a growth of 44% for the year.

(1) TGV is a trademark of the SNCF.

Share price evolution (in €) – April 2007/April 2008



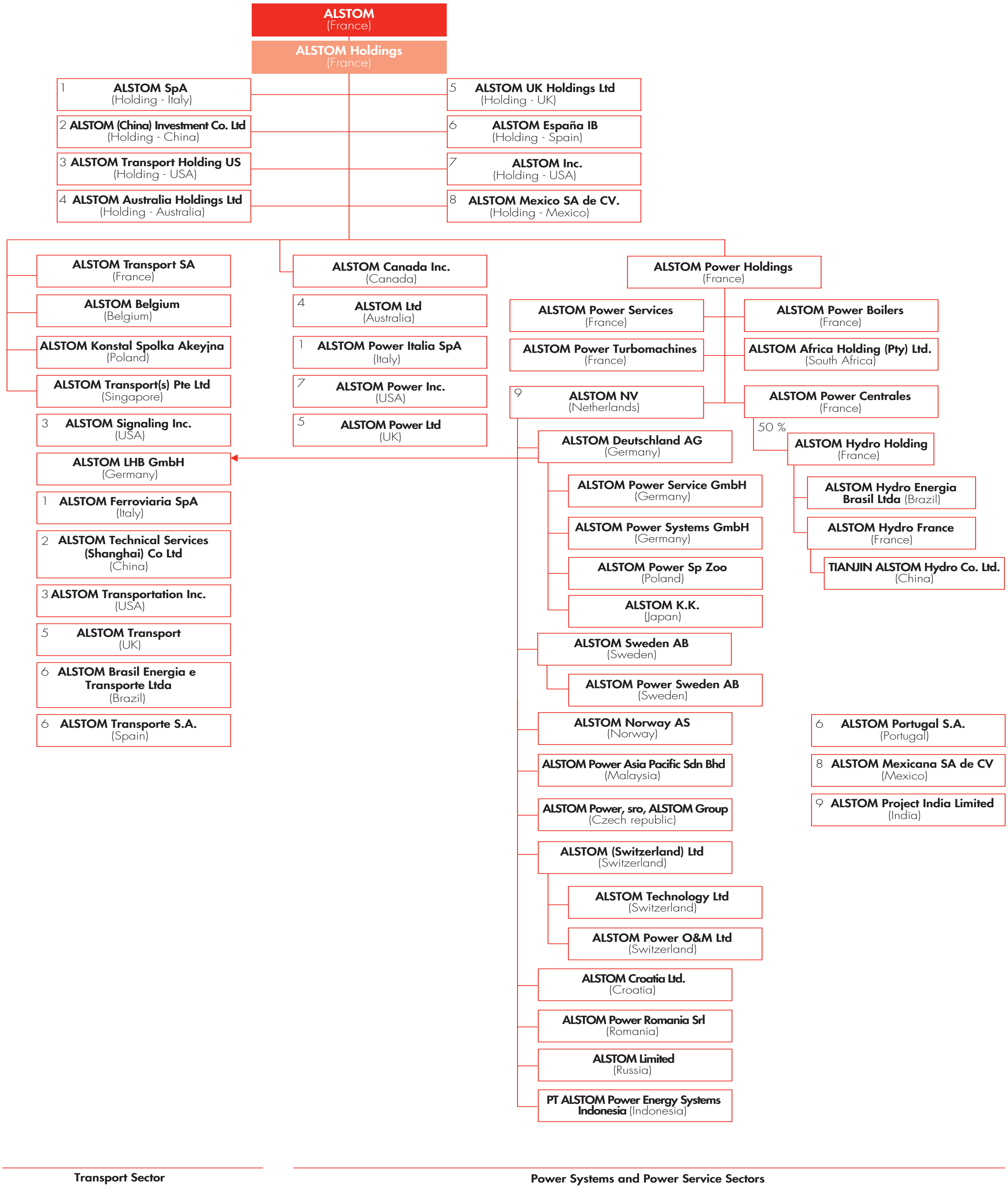
Source: Euronext Paris.

Keeping investors informed

www.alstom.com or www.alstom.fr

The Investors' section of the ALSTOM website has been specially designed to provide shareholders with easy access to the Group's financial communications: share price quotes, financial results, presentations, annual reports, shareholders letters, dates of important meetings, responses to frequently asked questions, together with a service that dispatches press releases by e-mail. Printed copies of the annual report for 2007/08 can be obtained in French and English by submitting your request to the Investor Relations department.

Simplified organisation chart as of 31 March 2008



Nota : Unless otherwise stated, companies are wholly owned. Each number in a box indicates the ultimate holding company with the same number that holds its shares.

Information on the Annual Financial Report

The ALSTOM Annual Financial Report for fiscal year 2007/08, established pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulation of the French *Autorité des marchés financiers*, is made up of the sections of the French "Document de Référence" 2007/08 identified in the table below:

Sections of the "Document de Référence"	Pages of the "Document de Référence"
"Consolidated financial statements for the fiscal year ended 31 March 2008"	51 to 119
"Statutory accounts for the fiscal year ended 31 March 2008"	122 to 135
"Group activity", which constitutes the Board of Directors' report on the Group management for the fiscal year ended 31 March 2008	6 to 48
"Risks", which is included in the Board of Directors' report on the Group management for the fiscal year ended 31 March 2008	141 to 145
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"Independent Auditors' report on the statutory financial statements for the fiscal year ended 31 March 2008"	136
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Information on the "Document de Référence"

INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 28 of EC Regulation No. 809-2004 of the Commission of 29 April 2004 regarding prospectuses, the following information is included by reference in this "Document de Référence":

- the consolidated and statutory financial statements for the fiscal year ended 31 March 2007, the Auditors' reports thereto and the Group's management report, as shown at pages 59 to 124, 126 to 138, 125, 139, and 6 to 55 respectively, of the report No. D.07-0523 filed with the French Stock Market Authority *(Autorité des marchés financiers)* on 30 May 2007;
- the consolidated and statutory financial statements for the fiscal year ended 31 March 2006, the Auditors' reports thereto and the Group's management report, as shown at pages 48 to 127, 131 to 145, 128 to 130, 146 to 148 and 5 to 46 respectively, of the report No. D.06-0526 filed with the Financial Markets Authority *(Autorité des marchés financiers)* on 2 June 2006.

The sections of these documents not included here are either not relevant for the investor, or covered in another part of this "Document de Référence".

STATEMENT BY THE PERSON RESPONSIBLE FOR THE "DOCUMENT DE RÉFÉRENCE"*

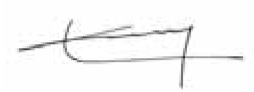
After taking all reasonable measures, I state that, to my knowledge, the information contained in this "Document de Référence" is accurate. There is no other information the omission of which would alter the scope thereof.

I state that, to my knowledge, the statutory accounts and the consolidated financial statements of ALSTOM (the "Company") for the fiscal year 2007/08 are established in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of operations of the Company and all enterprises included in the consolidation perimeter, and the management report included on pages 6 to 48 presents a true and fair view of the evolution of the operations, results of operations and financial position of the Company and all enterprises included in the consolidation perimeter, as well as a description of the main risks and uncertainties faced by them.

I have obtained from the Auditors, Deloitte & Associés and Ernst & Young et Autres, a letter of completion of work in which they indicate that they have verified the information relating to the financial situation and financial statements given in this "Document de Référence" and have read the whole "Document de Référence".

The historical financial information presented or included by reference in the "Document de Référence" has been the subject of reports by the Auditors included on pages 120, 136 and 137 for the year ended 31 March 2008, and included by reference in this "Document de Référence" for the years ending 31 March 2007 and 31 March 2006. These reports have been issued without qualification and contain emphasis of matter paragraphs relating to the years ending 31 March 2007 and 31 March 2006.

Levallois-Perret, 23 May 2008



Patrick Kron
Chairman and Chief Executive Officer

* This is a free translation of the statement signed and issued in French language by the Chairman and Chief Executive Officer of the Company and is provided solely for the convenience of English, speaking readers.

TABLE OF RECONCILIATION

The "Document de Référence" 2007/08 in French language was filed with the French *Autorité des marchés financiers* ("AMF") on 23 May 2008 in accordance with Article 212-13 of its General Regulation.

It may be used in connection with an offering of securities if it is accompanied by a prospectus *("Note d'opération")* for which the AMF has issued a visa.

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Société anonyme with share capital €1,989,122,436
3, avenue André Malraux – 92300 Levallois-Perret
Tel.: + 33 (0)1 41 49 20 00
RCS: 389 058 447 Nanterre
www.alstom.com