Annual report 2008/09

we are shaping the future | ALSTOM

Annual report
2008/09

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

The original French version of this Document de Référence was filed with the Autorité des marchés financiers on 26 May 2009 in accordance with Article 212-13 of its Règlement général. It may be used in connection with an offering of securities if it is supplemented by a prospectus ("note d'information") for which the Autorité des marchés financiers has issued a visa.

ALSTOM

2008/**09**

CONTENTS

1 GROUP ACTIVITY

Overview

GROUP GENERAL ORGANISATION

Alstom serves the power generation market through its Power Sectors, 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 2008/09, orders amounted to €24.6 billion and sales to €18.7 billion. On 31 March 2009, the backlog amounted to €45.7 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 2009, Alstom had a total of approximately 81,500 employees worldwide.

MAIN EVENTS OF FISCAL YEAR 2008/09

Alstom pursues its growth and improves once again its profitability

In fiscal year 2008/09, Alstom achieved very good results, driven by commercial successes on the dynamic power and transport markets and by an overall proper execution of the projects in the backlog. The Group set a new record in orders intake at €24.6 billion, a 5% increase on an actual basis (6% on an organic basis) compared to last year. Fuelled by these commercial successes, the backlog reached €45.7 billion at the end of March 2009 (an increase of 16% on an actual and an organic basis), the equivalent of 29 months of sales.

Sales also grew to €18.7 billion, representing an annual increase of 11% on an actual basis (10% on an organic basis) as a result of the execution of the Group's large backlog.

Continuously improving since 2004/05, operating income increased by 19% at €1,536 million during fiscal year 2008/09 (18% on an organic basis). Translating both the quality of the orders received and the attention paid to project execution, operating margin rose to 8.2% (7.7% in 2007/08).

During fiscal year 2008/09, net profit (Group share) after a 25% tax expense, increased 30% at €1,109 million due to an improved operational performance and a turned positive financial income. Earnings per share (basic) reached €3.9 versus €3.0 last year.

During the past fiscal year, Alstom generated €1,479 million of free cash flow, a notable performance – including the high capital expenditure programmes launched in 2007/08 – which results from a good operational performance and a favourable evolution of the Group's working capital.

Strong assets to face the challenging environment

LONG-TERM MARKET DRIVERS REMAIN PROMISING

From liquidity shortages, the financial crisis rapidly turned into a global economic downturn bringing companies new challenges. A base of financially sound customers, a wide portfolio of activities and a broad geographic coverage are in this context among the Group's strongest assets.

Regarding Power, Alstom's long-term market drivers remain positive. In the emerging markets, the need for power generation infrastructure together with the search for energy independence should continue to fuel an already large demand whereas in the industrialised countries, the ageing fleet should support the service and retrofit markets. In addition, more and more stringent environmental regulations should sustain the development of clean energy solutions such as hydro, wind and nuclear, foster the demand for higher technological contents to ensure a better efficiency of the thermal power plants and drive the need for replacement. In the short term, the financing constraints as well as a downward revision of end markets may drive a decrease of the demand for new power market as some new projects may be postponed. The service market should however be less volatile.

Regarding Transport, fast-growing urbanisation and the need for environment-friendly mobility should continue to pledge mass transportation means such as metros, tramways, inter city and high speed trains. In addition, short-term demand is expected to be supported by stimulus packages put in place in a number of countries.

A SECURED BACKLOG IN VOLUME AND IN QUALITY

At 31 March 2009, the Group backlog reached €45.7 billion, representing 29 months of sales. The high volume and quality of this backlog give Alstom strong visibility to prepare for and face, if necessary, an extended slowdown in demand.

State-owned and large utilities account today for 80% of Alstom Power Sectors customer base, and 90% of Transport Sector's. This proportion should minimise the Group's sensitivity to financial risks impacting its customer base. In this respect, no project cancellation or deferral has been recorded so far.

A SOUND FINANCIAL PERFORMANCE

At the end of fiscal year 2008/09, Alstom showed a steady liquidity position with net cash strengthened at €2.1 billion and gross cash amounting to €2.9 billion, after the reimbursement, during the period either at maturity or in anticipation of €559 million of bonds. As of 31 March 2009, the total outstanding bonds amounted to €275 million in nominal value (vs. €834 million at 31 March 2008). In terms of bonds and guarantees, Alstom also benefits from an €8 billion committed syndicated line and €13.5 billion of bilateral lines (€2.4 billion and €5.1 billion being respectively undrawn).

Preparing the future

INITIATIVES TAKEN IN AN UNCERTAIN GLOBAL CONTEXT

Uncertainties created by the recent economic downturn have prompted Alstom to take the following specific actions:

- a programme focusing on the strict control of selling and administrative expenses was set up in December 2008, and actions deployed at the Group's unit level. Short-term specific actions have also been taken to limit IT, travel and consulting expenses. Lastly, specific attention will continue to be paid to the efficiency of support functions;
- future capital expenditures will be strictly prioritised, without questioning the ongoing major projects aiming at developing and reinforcing the industrial base in key markets (Wuhan Boiler Company new factory in China, Chattanooga steam turbines facility in the United States or Elblag foundry in Poland).

STREAMLINING OF POWER ORGANISATION

In March 2009, Alstom announced a reorganisation of its activities related to power generation consisting in the merger of the two Sectors, Power Systems (plants, equipments and retrofit) and Power Service (after-sales, from service to renovation and spare parts). The set-up of a single Power Sector will improve the commercial performance of the Group and optimise its engineering and production means. This new Sector will be organised around six activities (Thermal Systems, Thermal Products, Thermal Services, Hydro, Wind, and Energy Management).

A strong and optimised industrial base

The Group's capital expenditures for the fiscal year 2008/09 (excluding capitalised development costs) amounted to €499 million, an increase of 33% year on year.

Market oriented, major ongoing Power capital expenditure projects include:

- to address the American market, the construction of a new facility in Chattanooga (Tennessee, United States of America) to manufacture steam turbines for nuclear and thermal applications, gas turbines, generators and related equipments;
- to address the Chinese and export markets, the construction in Wuhan city outskirts (Hubei Province, China) of a new facility following the acquisition of 51% of Wuhan Boiler Company in 2007. This factory will be Alstom's largest utility boilers manufacturing site and should be operational by the end of 2009;
- the building of a foundry in Elblag (Poland), aiming at increasing the production capacity of key components for turbines.

In Transport Sector, the capital expenditure programmes were focused on the upgrade and expansion of the European manufacturing base for rolling stock (very high speed trains, tramways and components). The main investments have been made in France, Germany, Italy and Poland.

Joint ventures and partnerships to reinforce the strategic positioning

In 2008/09, Alstom continued to deploy its growth strategy by finalising joint venture agreements and entering into promising partnerships:

- during the first half of 2008/09, Alstom finalised the creation of a joint venture with JSC Atomenergomash, part of the Russian Federal Agency for Atomic Energy responsible for the development of the national nuclear programme, to provide the turbine islands of Russian nuclear power plants based on Alstom's half-speed technology ARABELLE™. In September 2008, Alstom Atomenergomash LLC signed an agreement with Atomenergoproekt for the engineering of the turbine generator package and turbine hall equipment for the Seversk nuclear power plant in Siberia, recording a first success on the Russian market;
- in November 2008, Alstom and Bharat Forge Ltd (BFL), a global leader in manufacturing and metal forming, signed a shareholders' agreement to create a joint venture company based in India (the agreement is subject to Government and regulatory approvals). The new company will manage the whole process from engineering and manufacturing to selling and commissioning state-of-the-art 600 MW to 800 MW supercritical steam turbine islands in India;
- in March 2009, Alstom and Transmashholding (TMH), the main rolling stock manufacturer in Russia, signed a strategic agreement. This agreement follows a Letter of Intent announced in October 2008, according to which Alstom Transport will support the modernisation of TMH manufacturing sites and the development of a new generation of rolling stock equipment adapted to the Russian market. Alstom and TMH have also committed to creating a joint venture, held in equal parts, for the development of new models of rolling stock which will be based on Alstom Transport and TMH's latest technologies. Finally, Alstom will acquire 25% (+1 share) of the capital of TMH holding company at a price that will be defined according to the financial results of TMH over the 2008-2011 period.

Shaping the future through innovation

RESEARCH & DEVELOPMENT

In order to maintain its technological leadership, Alstom pursued the acceleration of its Research and Development (R&D) programmes over the last fiscal year. R&D expenditures (gross costs) amounted to €621 million versus €561 million in 2007/08. After capitalisation and amortisation of development costs, R&D expenditures as per the income statement, reached €586 million compared to €554 million last year, representing 3.1% of sales. Alstom's flagship R&D programmes – for Power, the development of CO_2 capture technologies and for Transport the AGV™, the last generation of very high speed trains – accomplished significant progresses in 2008/09.

In 2008/09, Alstom continued to pave the way for CO_2 capture solutions, focusing on oxy-combustion and post-combustion processes. During fiscal year 2008/09, the Group entered the following technological partnerships:

- an agreement with TransAlta Corporation, a Canadian power generation company, to develop a large scale CO_2 capture and storage facility in Alberta, Canada;
- a Memorandum of Understanding (MoU) with PGE Elektrownia Belchatow SA for the development and implementation of Carbon Capture and Storage (CCS) technology at the Belchatow power plant in Poland;
- a joint development and commercialisation agreement with the Dow Chemical Company to develop advanced amine technology for CO_2 capture that will be used in the design and construction of a pilot plant in West Virginia, USA.

In addition, Alstom became this year a founding member of the Global Carbon Capture and Storage Institute (GCCSI), created under the initiative of the Australian Government. This framework will allow Alstom to promote research in this field and set up demonstration projects.

To date, Alstom has started operation at three CO_2 capture pilot projects, with EPRI and We Energies in Wisconsin, USA, E.ON in Sweden and Vattenfall in Germany. Inaugurated in September 2009, Vattenfall's Schwarze Pumpe is the first pilot plant based on Alstom's oxy-combustion technology in the world.

Other initiatives contributed to strengthen the competitive edge of Alstom's Power products:

- the creation of a Global Technology Centre for hydroelectricity in Vadodara (India), will secure together with Hydro's Global Technology Centre in Grenoble (France), Alstom Hydro's leadership on the entire range of hydro turbines;
- R&D efforts in wind business have been focused on the development of the new 3 MW wind turbine, put in operation this year;
- performance improvement of GT13™ and GT26™ gas turbines, as well as the upgrade of GT24™ remained a focus point;
- lastly, Alstom Power Energy Management Business (EMB) announced its collaboration with Microsoft to deliver the next generation of high-performance information technology (IT) solutions for the power industry.

While promoting environment-friendly solutions, the Transport Sector continued to develop its advanced technology in its product range:

- the AGV™ ran dynamic tests in the Czech Republic before its first dynamic tests in France at 360 kph, the commercial speed it has been designed for. The AGV™ technology is based on articulated carriages and a distributed drive system. The first trains will be delivered starting from 2010;
- in tramways, the prototype for a new platform aiming at broadening the CITADIS™ range has completed testing phase in Germany end of April 2009;
- regarding regional trains, the first 24 CORADIA™ Continental trains have been delivered to their customers and the CORADIA™ Nordic X61, a product for regional traffic in Northern Europe, successfully completed its first test runs in Salzgitter (Germany);

- in signalling, the Group delivered its state-of-the-art URBALIS™ evolution system on the Beijing Line 2 and the Beijing Airport Link, right on time for the Olympic Games;
- finally, Alstom dedicated significant part of its research and development efforts to promote sustainable rail transport by developing trains featuring low energy consumption, reduced weight, hybrid or bi-modes traction and low noise pollution.

"I NOVE YOU™" PROGRAMME

As a must to differentiate from the competition and to optimise processes, innovation is at the heart of Alstom's strategy. At Group level, the "I Nove You™" programme initiated last year aims at three major objectives: create a favorable environment for innovation and innovative people within the Alstom community, enhance cross-fertilisation and support ongoing efforts to leverage innovations developed outside of the Group.

A reinforced Corporate Responsibility

A CARING HUMAN RESOURCES MANAGEMENT

During fiscal year 2008/09, the Group continued to drive its headcount increase. At the end of March 2009, total headcount reached 81,500 people, including more than 11,000 new recruitments over the period to support the Group's development on key markets and to ensure the execution of its growing backlog. Alstom focused its recruitment particularly in Europe (57%) and in Asia/Pacific (22%). This policy may be adapted pending future market development.

Care for people remained a key factor as the Group further developed its training programmes. The number of "Alstom University" training sessions delivered has increased by 60% compared to last year, and five "Alstom University" regional campuses are operational around the world.

"ENVIRONMENT, HEALTH AND SAFETY" (EHS) CONTINUOUS IMPROVEMENT

Through continuous efforts to improve employees' health and safety, the number of work-related incidents has been greatly reduced (-35% for 2008/09 compared to the same period a year before). The Group is committed to pursuing its efforts on training and communication to improve employees' awareness and to minimise risks. In addition, as part of EHS policy, a special emphasis has been put on CO_2 reduction on Alstom sites.

EMPLOYEE SHARING PROGRAMME

Following the success met by the previous programmes, a third employee stock purchase scheme was announced in January 2009 in 22 countries with the same objectives: encouraging employees' contribution to the Group's performance while enlarging and stabilising the shareholding base. In line with past references, close to 30% of the employees participated into this programme. The number of additional shares represented around 0.4% of the Group's share capital.

The Board of Directors also approved a new Long Term Incentive Plan based on the grant of conditional stock options and the free attribution of performance shares, depending on the Group's performance in 2010/11; this plan could represent approximately 0.4% of the share capital.

ALSTOM FOUNDATION FOR THE ENVIRONMENT

The Alstom Foundation, created in November 2007, will devote €1 million per year to support projects in the field of environmental protection. The Foundation has rewarded the first eleven projects this year. One of the most significant initiatives rewarded will establish a new conservation programme protecting the biodiversity in a national park of China's Yunnan Province. Other selected projects promoted actions in Argentina, North Korea, India, Switzerland, USA, Indonesia, Malaysia, Philippines, South Africa and France.

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

			% Variation 2009/08	
Year ended 31 March (in € million)	**2009**	2008	Actual	Organic
Order backlog	45,670	39,222	16%	16%
Orders received	24,580	23,472	5%	6%
Sales	18,739	16,908	11%	10%
Income from operations	1,536	1,295	19%	18%
Operating margin	8.2%	7.7%		
Net profit – Group share	1,109	852	30%	
Free cash flow	1,479	1,635	(10%)	

GENERAL COMMENTS ON ACTIVITY

Over fiscal year 2008/09, power and transport markets showed a very strong activity creating numerous opportunities for Alstom.

Regarding Power, the favourable trend observed in 2007/08 was confirmed this year with a balanced demand for all technologies, both for the installed and the new base markets. Thermal continued to lead the market, not only supported by the high demand for coal in Asia and Europe, but also by an active gas market bringing new projects namely in Europe, Africa and the Middle East. Rising environmental concerns and enforcement of green regulations continued to call for the development of clean sources of energy and their substitution for polluting equipment. Consequently, demand for renewables such as hydro and wind kept on growing, and nuclear confirmed its strong potential. The market for retrofit and upgrade solutions was also fostered by a continuing demand for energy efficiency.

The transport market has been very dynamic in 2008/09. With fast-growing urbanisation, the need for mobility and respect for the environment were again the key leading factors of a high demand for transportation means. The market for very high speed, regional trains and metros remained strong while demand for tramways continued to progress.

ORDERS RECEIVED AND BACKLOG

Benefiting from favourable markets, Alstom achieved a strong commercial performance in fiscal year 2008/09, booking a record level of €24.6 billion orders, a 5% increase compared to last year on an actual basis and 6% on an organic basis. At the end of March 2009, the Group's backlog amounted to €45.7 billion, a 16% increase year on year, representing the equivalent of 29 months of sales.

The combined Power Sectors booked €16.5 billion orders over fiscal year 2008/09, recording a 3% rise over the high level of the previous year on an actual basis (4% on an organic basis). Power Systems orders intake reached a new peak level with €11.9 billion, an increase of 3% compared to previous year (on actual and organic bases), representing 48% of the Group's total orders received.

Illustrating customers' confidence in Alstom technology and know-how, Power Systems recorded major successes for coal and gas-fuelled power plants turnkey contracts including GT26™-based combined cycle power plants in Africa (the first on the continent), the Netherlands, Spain and Indonesia. Orders for equipment supply (turbines and generators) to oil or coal-based power plants were received, including key contracts in Saudi Arabia, South Africa, the Netherlands and Germany, where Alstom will supply the most advanced clean coal technology to an existing power plant.

In nuclear, Alstom confirmed its position as a leading supplier by booking an order for the engineering and procurement of the complete turbine island for the first nuclear power plant in China to use the EPR technology. Orders for nuclear equipment retrofit were also recorded in South Africa and France.

Over the last fiscal year, Alstom continued to strengthen its global presence in renewables. In hydro business, the Group booked large projects in South and Central America (Brazil, Panama), Europe (Portugal, Turkey) and Asia (India, China). Eighteen months after the acquisition of Ecotècnia and the creation of its Wind business activity, Alstom smoothly pursues its expansion on the European wind market.

Lastly, search for energy efficiency as well as ageing of the installed base brought also successes for Alstom with hydro power plant upgrades in Africa and Norway, boiler repowering in Germany and modernisation of equipment for a gas-fuelled plant in the Netherlands.

Seizing the opportunities of the growing service market, Power Service booked €4.6 billion orders in 2008/09, a 4% increase compared to last year on an actual basis (5% on an organic basis). The main Operation and Maintenance (O&M) contracts included projects in Algeria, Tunisia, the United Arab Emirates, the Netherlands and Spain. In addition to a record number of small and medium sized orders, Power Service signed contracts for power plant upgrades in Turkey, Hungary and France.

In fiscal year 2008/09, Transport realised major commercial achievements across its product range, booking orders at €8.1 billion, an increase of 9% (11% on an organic basis), compared to last year, which was already an exceptional year. Historic markets (France, the United Kingdom, Germany) with new products (CORADIA™ Continental, AGV™) and maintenance contracts (the United Kingdom, Italy) have driven the increase. In new markets, tramway turnkey solutions have been sold, demonstrating the continuous success of Alstom's CITADIS™ product range.

Alstom's leading position in very high speed was confirmed with the first order received for the AGV™ in Italy, whereas in high speed Alstom continued to demonstrate its know-how, booking several orders in Europe including a record contract for the extension of a PENDOLINO™ fleet and associated maintenance for the line between London and Glasgow in the United Kingdom. Alstom also benefited from the modernisation of European networks and fleets, winning several projects for regional trains in Germany, Sweden, France and Luxemburg as well as for locomotives in France, the Netherlands and Germany.

Alstom was served by a strong demand in mass transit, booking numerous turnkey projects based on the Group's CITADIS™ tramway products in North Africa and Middle East, and recording metro contracts in Asia, South and Central America and North America, where the New York Municipality confirmed options for additional subway cars.

Signalling projects, namely for Santiago de Chile and São Paulo metros as well as orders for infrastructure (Romania) and maintenance for main lines fleet (Switzerland) also contributed to Transport Sector's high level of order intake in 2008/09.

SALES

Supported by the smooth execution of a growing backlog, the Group's sales once again established a record at €18.7 billion, showing an 11% increase year on year on an actual basis (10% on an organic basis).

Power Systems achieved €9.2 billion sales, accounting for 49% of the Group's total sales in 2008/09, and representing a 19% increase year-on-year on an actual basis (16% on an organic basis). Main contracts contributing to sales over the period included gas-based power plant projects in Europe (the United Kingdom, Ireland, the Netherlands, France), the United Arab Emirates, Algeria, Brazil and Australia, boilers projects in Poland, Bulgaria and Germany as well as hydro projects in India and Brazil.

Power Service generated €3.8 billion sales in fiscal year 2008/09, increasing by 6% the previous figure on an actual basis and by 8% on an organic basis.

In fiscal year 2008/09, Transport recorded sales at €5.7 billion, a 3% growth year-on-year on an actual basis (5% on organic). Significant main lines contracts traded during the year included high speed trains (TGV[1]) in France, regional trains in France, Spain and Germany, several projects for locomotives in France and Germany as well as a maintenance contract in the United Kingdom and signalling projects executed in Belgium and Italy. Traded mass transit contracts covered metro projects in the USA (New York City, Atlanta), Spain (Barcelona), Brazil (São Paulo), Hungary (Budapest) and Singapore and the delivery of a tramway turnkey system in Algeria (Algiers).

INCOME FROM OPERATIONS

Income from operations reached €1,536 million in fiscal year 2008/09, representing a 19% increase compared to last year on an actual basis (18% on an organic basis). The operating margin rose from 7.7% to 8.2%, driven by the good quality of the orders in hand, a proper execution of the backlog and continuous cost controlling.

All Sectors contributed to the Group's income from operations and operating margin growth. Power Systems commercial performance drove an increase of income from operations by 45% on an actual basis (42% on an organic basis) from €415 million in 2007/08 to €600 million in 2008/09. Power Service improved income from operations to €648 million from €592 million a year earlier (9% on an actual basis and 7% on an organic basis), representing 17.0% of sales in fiscal year 2008/09. Transport's income from operations was €408 million, stable versus last year, at 7.2% of sales.

NET PROFIT (GROUP SHARE)

Net profit (Group share) grew from €852 million to €1,109 million year on year. This 30% increase in one year mainly stemmed from a strong increase of income from operations.

FREE CASH FLOW

Free cash flow (as defined in paragraph "Use of non-GAAP financial indicators") reached €1,479 million in fiscal year 2008/09, compared to €1,635 million for the previous year. Supported by the increase of net income and a further improvement of working capital, the large free cash flow generation includes the Group's continuous investment efforts in R&D and capital expenditures.

NET CASH

Switching from net debt to net cash in 2007/08, the Group's net cash position increased by more than €1 billion over last fiscal year to €2,051 million. This record surge includes €233 million dividends paid during the year (vs. €117 million last year).

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

					% Variation 2009/08	
Year ended 31 March (in € million)	**2009**	% of contrib.	2008	% of contrib.	Actual	Organic
Europe	11,718	48%	11,709	50%	0%	0%
North America	2,509	10%	3,137	13%	(20%)	(19%)
South and Central America	1,574	7%	999	4%	58%	64%
Asia/Pacific	2,537	10%	3,198	14%	(21%)	(20%)
Middle East/Africa	6,242	25%	4,429	19%	41%	48%
Orders received by destination	**24,580**	**100%**	**23,472**	**100%**	**5%**	**6%**

(1) TGV is a trademark of the SNCF.

With €11.7 billion for the year ended at 31 March 2009, Europe still accounted for almost half of the total orders booked by the Group over the period (48% in 2008/09 compared to 50% last year). The Transport Sector achieved major commercial successes booking the first order for the supply and maintenance of the AGV™ in Italy for an Italian private operator, the supply and maintenance of PENDOLINO™ trains in the United Kingdom and regional trains in Germany and in Sweden. Key contracts for power plants in Germany and the Netherlands also contributed to this increasing backlog, as did maintenance contracts for Power Service in Spain and the Netherlands.

In North America, orders reached €2.5 billion showing a decrease both in volume and in contribution compared to last year. North America orders accounted for 10% of total orders received by the Group this year. Major achievements comprised Transport contracts to supply additional cars for the New York City metro and a contract for electromechanical equipment for line 12 of the Mexico City metro system. Power Sectors' orders comprised orders for a steam turbine in the USA as well as a number of small to medium size orders received by Power Service.

In comparison with fiscal year 2007/08, Alstom's orders intake in South and Central America increased by a strong 58% (64% on an organic basis) at €1.6 billion, representing 7% of the Group's total orders this year. Contracts in Brazil were the main contributors to this positive move with two major hydro projects in San Antonio and Jirau and a contract to supply a fully automated system for São Paulo metro (Lines 1, 2 and 3). Order for additional metro cars for Santiago de Chile was also received during the period.

Orders in Asia/Pacific showed a decrease to €2.5 billion in 2008/09 (-21% on an actual and -20% on an organic basis), and accounted for 10% of the Group's total orders. Power Systems strongly contributed to this level of orders intake with three major contracts booked in China in hydro and two in nuclear. Regarding Transport, key achievements comprised orders for additional X'TRAPOLIS™ trains for Melbourne (Australia) and metro equipment for the cities of Shanghai (China) and Singapore.

Fuelled by industrial development and significant investments in infrastructure, orders in Middle East and Africa rose very significantly to an exceptional €6.2 billion (+41% year-on-year on an actual basis and +48% on an organic basis), representing 25% of the Group's total orders received. Power Systems commercial achievements included contracts for the largest oil-fired power plant in Saudi Arabia and the supply of turbine islands for a coal-fired power plant in South Africa. Key projects also comprised gas-fuelled turnkey combined cycle power plants in Algeria, Tunisia and the Netherlands, for which Power Service will also provide long-term maintenance. In Transport Sector, growth of orders in the region was boosted by turnkey tramway projects for the cities of Rabat (Morocco), Oran and Constantine (Algeria) and Dubai (United Arab Emirates).

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 2009/08	
Year ended 31 March (in € million)	**2009**	% of contrib.	2008	% of contrib.	Actual	Organic
Europe	9,705	52%	8,308	49%	17%	16%
North America	2,943	16%	3,109	19%	(5%)	(4%)
South and Central America	1,088	6%	881	5%	23%	26%
Asia/Pacific	2,557	13%	3,058	18%	(16%)	(17%)
Middle East/Africa	2,446	13%	1,552	9%	58%	55%
Sales by destination	**18,739**	**100%**	**16,908**	**100%**	**11%**	**10%**

Over fiscal year 2008/09, sales in Europe increased both in volume at €9.7 billion (+17% on an actual basis and +16% on an organic basis) and in proportion of the Group's total sales (52% against 49% last year). These results include, for Power Systems, GT26™ based projects in the United Kingdom and boiler projects in Poland and Germany. In Transport Sector, the main traded contracts covered very high speed TGV [2] trains, metros and tramways in France, maintenance in the United Kingdom and regional trains in France, Spain and Germany.

Year-on-year, the Group's sales in North America decreased by 5% on an actual basis and by 4% on an organic basis, at €2.9 billion. Mass transit contracts for New York and Atlanta and an advanced high-efficiency coal fired generating plant in USA were the main contributing projects to the 2008/09 sales.

At €1.1 billion, sales in South and Central America grew by 23% compared to last year (+26% on an organic basis), contributing for 6% of the Group's total sales. The execution of a contract for gas-based

(2) TGV is a trademark of the SNCF.

plant and hydro contracts in Brazil generated the main part of Power Sectors' sales. Regarding Transport, metro projects in São Paulo (Brazil) continued to be traded.

Sales in Asia/Pacific contributed to 13% of the Group's total sales in 2008/09 at €2.6 billion (a decrease of 16% year on year on an actual basis and 17% on an organic basis). In Power Sectors, main contracts traded included GT projects in Australia, boiler projects coming from Wuhan Boiler Company's backlog and hydro contracts in India, China and Vietnam. In Transport, key contracts in China with the Ministry of Railways (Electrical Multiple Units and infrastructure for high speed lines, freight locos) and with Shanghai and Nanjing Municipalities (metro) made up most of the sales.

Sales in Middle East/Africa recorded a very significant yearly increase of 58% (55% on an organic basis) at €2.4 billion, accounting for 13% of the Group's total sales. In Power, the main part came from the execution of a major turnkey project in the United Arab Emirates and a gas-fuelled plant in Algeria. In Transport, tramway projects in Jerusalem, Dubai, Algiers and Oran, as well as infrastructure and signalling projects in Egypt, Morocco and Algeria were the main traded contracts over the period.

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 2009/08	
Year ended 31 March (in € million)	**2009**	% of contrib.	2008	% of contrib.	Actual	Organic
Europe	13,133	70%	11,562	68%	14%	12%
North America	2,858	15%	3,041	18%	(6%)	(5%)
South and Central America	660	4%	528	3%	25%	32%
Asia/Pacific	1,650	9%	1,511	9%	9%	10%
Middle East/Africa	438	2%	266	2%	65%	60%
Sales by origin	**18,739**	**100%**	**16,908**	**100%**	**11%**	**10%**

Europe still represents the main centre of production and project execution with 70% of total sales by origin, at €13.1 billion.

OUTLOOK

The quality and the size of the Group's backlog enable Alstom to confirm its objective in 2009/10. The operating margin should reach around 9%, split between 10% and 11% for the Power Sector and between 7% and 8% for the Transport Sector.

These targets are based on a number of assumption 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 Sector aims at focusing on the delivery of its important backlog, while continuing to record contracts. Targeting the performance of its project execution, the Sector will put particular attention to its cost structure optimisation.
- Transport's objective is to reach the targeted operating margin through improvement of contract execution and further cost optimisation ensured by standardisation, sourcing optimisation and cost adjustment.

The foregoing are "forward-looking statements" and as a result, remain subject to uncertainties. The success of the Group's strategy and action plans, 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 Factors" section of the Annual Report for fiscal year 2008/09, or other unknown risks, materialise.

Sector **review**

Power Sectors

During fiscal year 2008/09, Alstom's activities in power generation were managed through two Sectors as presented in this section: Power Systems which addressed plants, new equipment and retrofit, and Power Service, which addressed the after market from up-grade to spare parts delivery and field service.

In March 2009, a merger of these two Sectors into a single Alstom Power Sector was announced. This new organisation has been set up to meet two main objectives. Firstly, the Group faces growing demand in the installed base and needs to optimise its offering to successfully address these opportunities. Secondly, this organisation will allow to optimise Alstom's sales efficiency, improving its cost base through common manufacturing and supply chain, fully coordinated research and development and controlled fixed costs.

The new organisation functions according to two major principles "One face to the customer" and "One single technology".

The new Alstom Power Sector is organised in six activities:

- Thermal Systems, including gas and steam power plants and environmental control systems;
- Thermal Products, including gas, steam and nuclear product lines;
- Thermal Services, including the retrofit and fleet management for all types of equipment, as well as the local service centre network;
- Hydro;
- Wind;
- Energy Management, regrouping instrumentation & control and automation products.

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 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 has a worldwide manufacturing footprint for steam and gas turbines and generators located in Birr (Switzerland), Belfort (France), Elblag and Wroclaw (Poland), Mannheim and Bexbach (Germany), Budapest (Hungary), Beijing (China), Morelia (Mexico) and 2 factories are under construction in Chattanooga (USA) and in Podolsk (Russia);
- 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);
- hydro turbines and generators are mainly manufactured in Grenoble (France), Baroda (India), Taubaté (Brazil), Tianjin (China), Birr (Switzerland) and Tracy (Canada);
- wind turbines are manufactured in several sites in Spain.

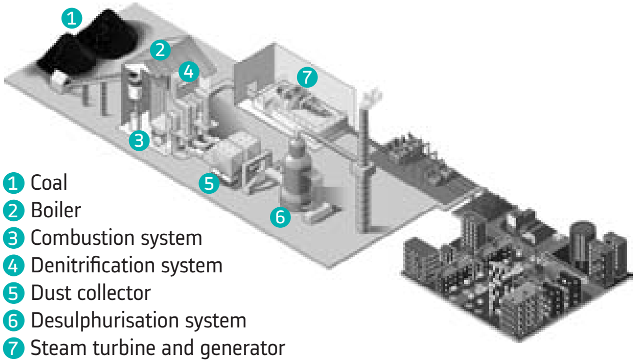
Alstom is building a new facility in Chattanooga, Tennessee, USA, to fully manufacture gas and steam turbines for nuclear and fossil power plants for new and retrofit projects. The factory will be operational in 2011.

In Russia, the Group and the Russian company, Atomenergomash, set up a joint venture to manufacture conventional islands for Russian nuclear power plants, based on Alstom's ARABELLE™ half-speed turbine technology.

Alstom Hydro has joined forces with Bardella, a Brazilian capital goods company, to create a 50/50 joint venture called Indústria Metalúrgica e Mecânica da Amazônia (IMMA). IMMA is building a plant in Porto Velho, in the State of Rondônia, Brazil, to manufacture hydromechanical and lifting equipment for projects in the Amazon region and in other countries of Latin America. The plant will be operational at the end of 2009.

Alstom and Bharat Forge Ltd (BFL), a global leader in manufacturing and metal-forming, signed a shareholders' agreement on the creation of a joint venture company in India which will manage the whole process from engineering and manufacturing to selling and commissioning state-of-the-art 600 MW to 800 MW supercritical turbine island power plant equipment.

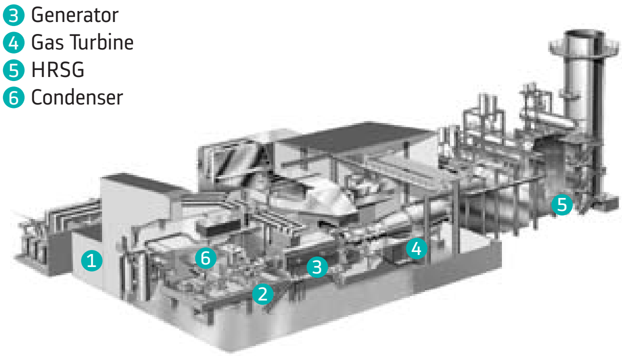
Coal power plant



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.

As the European leader of large-capacity ultra-supercritical units, Alstom has installed more than 1,400 steam turbine and generator sets above 100 MW, totalling over 480 GW around the world. Its more than 100 turnkey steam power plants total 500 GW worldwide. Covering nuclear, fossil, combined cycle and cogeneration applications, Alstom offers reaction and impulse turbine technologies. Alstom steam turbines for power generation solutions are available as back-pressure or condensing turbines with and without controlled steam extractions for a wide range of applications, including independent power producers and utility power stations, turbine retrofits, and other industrial processes and mechanical drive installations.

INTEGRATED SOLUTIONS

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

Alstom's Plant Integrator™ approach calls on proven 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. Its cutting-edge expertise in supercritical conditions allows higher efficiency. Alstom's position as a leading supplier of environmental control systems 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.

Steam turbines for steam power plants:
- STF100: 700 – 1,200 MW
- STF60: 500 – 900 MW
- STF40: 250 – 700 MW
- STF25: 100 – 350 MW

Steam turbines for combined cycle power plants:
- STF30c: 150 – 400 MW
- STF15c: 100 – 250 MW

Steam turbines for cogeneration (*i.e.* steam extraction for industry or district heating) and desalination:
- COMAX: 100 – 400 MW

Turbogenerators

Alstom has more than 100 years' experience in designing and manufacturing turbogenerators. As an experienced, global supplier, the Group provides a full range of turbogenerator leading technologies for coal-fired power plants:
- GIGATOP 2-pole covers a power output range from 400 MW to 1,400 MW at 50Hz and from 340 MW to 1,100 MW at 60 Hz;
- TOPGAS covers a power output range from 300 MW to 530 MW at 50 Hz and from 250 MW to 450 MW at 60 Hz;
- TOPAIR covers a power outup range from 150 MW to 400 MW at 50 Hz and from 90 MW to 300 MW at 60 Hz.

Alstom's GIGATOP 2-pole is the most powerful turbogenerator running at full speed and it is ready to support the largest coal-fired power plants. The GIGATOP 2-pole product range delivers the needed power at an optimum efficiency and it has demonstrated extremely high reliability in operation.

Boilers

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

- suspension-fired boilers, 50-1,200 MW, including advanced pulverised coal technologies;
- circulating fluidised bed (CFB) boilers, 50-600 MW, and hybrid fluidised bed boilers; and
- auxiliary boiler products for energy recovery, including air preheaters and coal pulverisers.

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-NO_x 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 (Source: Alstom). 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): greater than 98% reduction;
- control of nitrogen oxide (NO_x): greater than 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 carbon dioxide (CO_2). Alstom is testing and demonstrating various combustion and post-combustion solutions on an industrial scale (see Research & development section).

Gas-Fired Power Plants

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

INTEGRATED SIMPLE CYCLE POWER PLANTS

Today, simple cycle power plants 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 look for efficient, flexible and competitive power generating capacity, Alstom Plant Integrator™ concept proposes combined cycle power plant designs with optimised installation times, high-performance, low emissions, and high operational flexibility features. The Alstom-made reference modules are adaptable to various site conditions and to individual power plant requirements.

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

PRODUCTS

Gas Turbines

Alstom's gas turbines (ranging from 50 to 288 MW) are successfully operating in open, combined and/or cogeneration applications.

Alstom's gas turbine products are:

- GT26™ (288 MW) for 50 Hz
- GT24™ (188 MW) for 60 Hz
- GT13™ E2 (180 MW) for 50 Hz
- GT11™ N2 (115 MW) for 50 and 60 Hz
- GT8™ C2 (56 MW) for 50 and 60 Hz

Turbogenerators

As a leader in air-cooled technology, Alstom has set the trend with TOPAIR by designing a simple, robust air-cooled turbogenerator with high reliability. The largest air-cooled turbogenerator in operation is a TOPAIR with 340 MW output power.

The upper range of such application are covered by Alstom's TOPGAS with outstanding reliability and efficiency proving it as very cost effective solution.

TOPAIR together with TOPGAS turbogenerators are the result of continuous, evolutionary development that has pushed the limits of power output while maximising efficiency. At the same time, it is characterised by simplicity and ease of operation and maintenance.

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

As part of a global cooperation between Alstom and Bouygues, a joint venture (50%-50%), Alstom Hydro, was created in 2006.

Today, Alstom Hydro, which counts more than 6,000 employees, is the worldwide market leader for hydropower solutions and services, with over 25% of the global hydropower installed capacity (400 GW of turbines and generators) (Source: Alstom).

ALSTOM HYDRO POWER SOLUTIONS

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

With over 100 years of experience and know-how, Alstom Hydro currently offers the world's most comprehensive range of power generation services and equipment that can cover all hydropower schemes from small to large, from run-of-river to pumped storage power plants, from individual 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

Alstom Hydro's wide and advanced product range enables the Company to provide cost effective hydropower solutions for any application for both new and installed power plants.

Turbines up to 900 MW

Alstom Hydro provides a full range of hydro turbines, with maximum power capacities of 900 MW. This range includes Francis, Kaplan, Pelton, Bulb and Pump turbines to meet all customers needs and applications.

Generators up to 1,000 MVA

Alstom Hydro's generators can produce up to 1,000 MVA depending on the type of hydro power application. The range includes large and medium hydro generators, small generators, bulb generators, motor-generators, ring motors 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. Strategic products for power generation applications, Alstom Hydro developed and qualified specific control system solutions as well as dedicated machine control equipment, in order to guarantee safe, optimised power plant operations.

Nuclear Power Plants

Nuclear energy is becoming more and more topical in many countries. Alstom is world leader in equipment and solutions for conventional islands for nuclear power plants. More than 30% of installed nuclear power plants have Alstom turbine-generator sets (Source: Alstom).

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 as well as extending the power plant's lifetime. 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 more than 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.

The ARABELLE™ steam turbine is central to Alstom nuclear technology. Widely acknowledged as the most advanced in the market, the "half-speed" turbine offers outstanding power output (1,000 to 1,800 MW) and uses exclusive welded-rotor technology, used on all Alstom gas and steam turbines. This technology ensures unparalleled efficiency, resistance to corrosion, longevity (60 years) and optimal maintenance, along with reduced costs and call-out times.

The world's largest operating steam turbines are four Alstom ARABELLE™ turbines running in EDF plants in France: Chooz B1 and Chooz B2 (commissioned in 1997; each with an output of 1,550 MW);

Civaux 1 and Civaux 2 (commissioned in 1999 and 2000; each rated at 1,550 MW). These turbines have already notched up 200,000 operating hours and boast an outstanding reliability rate (99.97%). Alstom will reach another world record with Flamanville 3, (rated at 1,750 MW) the first Evolutionary Pressurised Reactor (EPR) in France.

Turbogenerators

Alstom is a highly experienced turbogenerator supplier for nuclear applications, with a worldwide operational experience since the 1960s. The Group has installed turbogenerators for about one third of nuclear power plants. The world largest turbogenerators in operation today are Alstom's GIGATOP 4-pole covering an output range from 900 MW to 2,000 MW, in both 50 and 60 Hz markets. GIGATOP 4-pole, the turbogenerator behind Alstom's proprietary ARABELLE™ steam turbine, sets the benchmark for reliability and efficiency.

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 acquisition in 2007 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 that nowadays designs, assembles and installs a wide range of onshore wind turbines spanning 0.64 MW to 3 MW. The company has taken a significant part of the development of the Spanish wind energy market, which is ranked second in Europe. The company currently generates about 50% of its sales from other European countries.

To date, Alstom Ecotècnia has installed or is installing more than 1,600 wind turbines in 88 wind farms, corresponding to a total capacity of approximately 1,800 MW (about 2% of the worldwide installed base). Alstom Ecotècnia is also active in the field of solar panels, particularly in Spain.

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 Alstom portfolio offers the appropriate choice of wind turbine to match a particular wind farm location and ranges from 0.64 MW to 3 MW turbines.

Alstom wind turbines are based on a unique mechanical design concept. The hub is supported directly by a cast frame on two bearings whereas the gearbox is fully separated from the supporting structure. As a consequence the deflection loads are transmitted directly to the tower whereas only torque is transmitted through the shaft to the gearbox. This configuration reduces breakdowns to the gearbox, providing higher reliability levels.

The Eco 74 and Eco 80 have a rated power of 1.67 MW and rotor diameters of 74 m and 80 m respectively. The Eco 74 is suitable for sites with medium wind speed ("class II" sites). The Eco 80 is suitable for sites with low wind speed ("class III" sites).

The Eco 80 2.0 is a turbine with a rated power of 2 MW suitable for class II sites.

The Eco 100 3.0 MW wind turbine owes its name to its 100 m rotor diameter, one of the biggest available for the onshore market. The Eco 100 is suitable for class II sites.

Retrofit solutions for the installed base

An entire generation of power plants built in the last 10 to 40 years faces a series of existing and future emission regulations to which they must comply. Simultaneously, the worldwide increase in power demand is also driving utilities to seek solutions to get extra power output out of their existing power plants. In order to respond to these obligations, increase power output by boosting power plants' efficiency and availability, as well as extend their lifetime, Alstom provides its customers with state-of-the-art technologies, ranging from comprehensive retrofits for boilers, turbines and air quality control systems to plant upgrades.

Alstom's flexible, innovative retrofits offer customers optimised solutions for their installed fleet.

COMPONENT RETROFITS

- Steam turbines: Alstom has retrofitted over 780 cylinders to date and is the leader in fossil and nuclear steam turbine retrofits worldwide with over 50% market share (Source: Alstom). Alstom retrofits own fleet and 3rd party manufactured steam turbines.

- Boilers: Alstom has experience and capabilities to service any fossil fuel plant by providing: fuel flexibility, boiler upgrade for performance improvement, pressure parts condition assessment and redesign including surface technologies and environmental compliance.

- Turbogenerators: Alstom has a proven track record in adapting turbogenerator retrofit solutions to the existing interfaces and boundary conditions in order to optimise system uprate and risk mitigation.

- Gas: several combined cycle gas plants are currently over 15-years old, driving utilities to replace older gas turbines with new turbines featuring state-of-the-art technology. Gas plant turbine island retrofits seek to repower with gas turbine and Heat Recovery Steam Generators (HRSGs) to increase the plant's performance.

- Hydro: Alstom Hydro has developed many products for the specific needs of the growing refurbishment sector to significantly improve plant performance, availability and reliability without increasing the overall plant size or environmental impact. It offers individually tailored client service packages ranging from technical support, customer help lines, personnel training, maintenance engineering and condition monitoring, to full reliability packages, total operation and complete maintenance.

INTEGRATED RETROFITS

Power Systems has unique value-integration skills that combine the retrofitting of a whole system, comprised of several components and auxiliary systems, to increase plant's economic and environmental benefits. These include the retrofitting of the:
- boilers, turbines, generators and auxiliaries for fossil plant retrofits;
- heat exchangers, turbines, generators and auxiliaries for nuclear power plant retrofits;
- heat recovery steam generators, turbines, generators and auxiliaries for gas plant retrofits.

As a leading supplier for all types of power generation equipment, Alstom offers comprehensive solutions that optimise the performance of the full range of components. Alstom's unique integration capabilities optimise the performance of the whole system. Alstom specialists conduct a study of the whole plant in order to both optimise all components and their interaction, in order to maximise unit efficiency and capacity prior to specifying the retrofit parameters.

Energy Management Solutions

Through Energy Management Solutions, Alstom leverages its leadership as Plant Integrator™ and Clean Power specialist to supply Automation & Grid Connection solutions improving the efficiency of energy infrastructures from fuel supply to electricity production and consumption.

This technology is provided for all forms of power generation: steam, gas, nuclear, renewables.

Value for automation and grid connections for power plants is created through three main areas:
- plant efficiency – to get the best output of the power plant through effective automation. New power plant software suites to manage plant scheduling, plant asset management and plant simulation;
- plant availability – to provide the right amount of power at the right time to the grid to fulfil the demand;
- power quality – to enable customers to deliver power at the desired quality, whether related to grid frequency or voltage management.

PRODUCTS

Distributed Control Systems

Alstom has provided 158 GW worth of CONTROPLANT™ Distributed Control Systems for all types of power plants.

Machine Control

Alstom supplies pre-packaged machine control solutions for applications for steam and gas turbines, burners and boilers, as well as automatic voltage regulator and excitations.

Isolated Phase Buses

Alstom's Isolated Phase Buses range from 3,000 A up to 52,000 A. Alstom has installed 1,100 units around the world.

POWER SERVICE OFFERING

Power Service provides a complete range of services, support and equipment to the thermal power generation industry on a global scale. The Sector has the widest range of services on offer, including:
- power plant management: tailored service packages including Operation and Maintenance (O&M) agreements for plants' full life cycles;
- consulting and support: technical services, training, monitoring and diagnostics, performance analysis;
- performance improvement: modernisation, upgrades and lifetime extension;
- field service: outage management, field repairs, erection, commissioning, construction and supervision; and
- new spare parts, improved and reconditioned components.

Power Service helps its customers maximise plant performance, availability and reliability, meeting their business goals in asset lifecycle management, performance improvements, risk management, cost management and environmental compliance.

As an Original Equipment Manufacturer (OEM), Alstom is the best qualified to maintain, upgrade and repair its own installed base – as well as components and systems from third-party suppliers.

The Sector has more than 21,000 employees and operates through 25 dedicated manufacturing workshops and technical expertise centres. In addition the Sector maintains 32 dedicated field service hubs providing support to some 200 local service centres, operating in 70 countries around the world.

Combined cycle gas power plants

Optimising a combined cycle gas power plant necessitates a deep knowledge of all plant components, as well as of the interaction between components.

Power Service provides comprehensive support to help customers identify areas of improvement in their gas turbine simple and/or combined cycle power plant(s), and to apply customised solutions and services accordingly to effectively optimise the plant(s).

The Sector offers cost-effective packages for the whole power train, as well as for instrumentation and control, and monitoring and diagnostics systems. In depth plant knowledge and expertise in product and component integration enables Power Service to increase plant performance throughout its life cycle. Component improvements or upgrades and life extension packages ensure optimised plant output, operational flexibility, and compliance with the most stringent emission regulations.

Steam power plants

Steam power plants are and will remain key contributors of electricity production worldwide.

Through the ECORAM™ programme, Power Service focuses on plant condition assessments, resulting in recommendations for lifetime extension and increased power output, efficiency, availability and reliability. The Sector covers the full range of steam plants, including the conventional island of nuclear power plants. Since the inception of the ECORAM™ programme, over 30 plants have been assessed in several countries.

The Sector also invests in plant fleet analysis methods. The goal is to propose improvement programmes on a predefined basis, enabling optimised operation and maintenance cycles, and ultimately improved plant performance, flexibility and environmental impact. Proposed solutions cover standalone components as well as component synergy.

Gas Turbines

Against a backdrop of continuous cost pressure and volatile market conditions, plant owners expect high efficiency, flexibility and a long life from their gas turbines, as well as full compliance with environmental regulations.

Power Service addresses these needs through continuous improvement, focusing on quality of spare parts, use of latest reconditioning technologies, field service availability and commitment, and consultancy skills.

The Sector has also developed a comprehensive range of upgrade solutions to enhance existing turbine designs and therefore to provide more efficiency and flexibility at the customer's discretion. For instance, the recent GT11™N2 upgrade package enables operation of the engine in "Performance" mode (maximised power and efficiency) and/or 'Lifetime' mode (increasing major inspection interval) with the same hardware package.

As part of its strategy to expand its presence in the gas turbine service market, Power Service acquired Power Systems Mfg., LLC (PSM) in March 2007. PSM, headquartered in Jupiter, Florida (USA), is a leading manufacturer of alternate-source components for advanced gas turbines specialising in machines made by other equipment manufacturers. Since the acquisition, PSM has broadened its business to include refurbishment of gas turbine hot parts and field services, and is also penetrating additional markets outside its core market of North America.

Steam Turbines

With an ageing worldwide installed fleet of steam turbines, significant investments are being made and will continue to be made by plant operators to extend their lifetime and increase their efficiency.

As a result, Power Service focuses on:

- introducing technologies that reduce total outage duration through optimised dismantling, assembly, inspection and repair. For instance, a specific technology has been developed by the Sector, which allows for dismantling of certain blade types in existing steam turbines in less than 1 hour, as opposed to 6 to 8 hours using traditional methods;
- offering life-time extension packages and upgrades that significantly enhance the power output of existing steam turbines and therefore accelerate return on investment for customers. For instance, by replacing older steam turbine blades by new ones developed and manufactured in-house, using the latest Alstom technologies, our customers benefit from an upgraded steam path and reduced valve loss that strongly increases turbine efficiency.

In addition, Power Service covers a large variety of steam turbine fleets (over 20 turbine technologies in portfolio), which results in a unique breadth of technical capabilities for all maintenance and performance improvement projects.

Generators

As the generator installed base worldwide ages, plant operators require cost effective solutions and high reactivity from their maintenance provider.

Power Service is able to provide its customers with tailored solutions, which span from "week-end" type inspections to full stator/rotor rewinds and full replacement of components, for a large variety of generator technologies (15 types in portfolio), covering all cooling techniques. This versatility builds upon:

- a unique combination of generator expertise and broad operational feedback built up over a long period, since approximately 20% of the worldwide generator fleet is based on Alstom technologies;
- a proven capability in innovative maintenance and repair programmes, with a strong service mindset. Power Service has been a pioneer for in-situ inspection and repair technologies, such as a rotor inspection robot able to reduce both outage time and rotor handling risk. In addition, the Sector has developed dedicated monitoring and diagnostics solutions to help customers assess failure risks and offer customised preventive maintenance programmes, a key element in the context of older fleets;
- a dedicated supply chain, which enables the Sector to deliver faster, more efficient and higher quality operations.

Boilers

Close to two thirds of the worldwide boiler installed base is in coal-fired power plants. The key concerns of plant operators are reliability, availability and fuel efficiency. Power Service is well positioned to address these issues with innovative new technologies for each boiler subsystem.

The Sector capabilities include products and services for both Alstom and Alstom licensed fleets worldwide, as well as upgrades for other Original Equipment Manufacturer (OEM) equipment. One of Power Service's priorities is on innovative and high performance upgrade solutions that apply to the major boiler subsystems, including pulverisers, firing systems, pressure parts, ignitors and scanners as well as bottom and ash handling systems.

Power Service is implementing a solution to increase the reliability and availability of the boiler installed base. For instance, a new performance, recovery and optimisation system was developed for the MPS-type pulveriser. The system manages and reduces pulveriser wear to extend operation time between outages. It improves coal fineness to facilitate in-furnace emission reduction and maximises pulveriser capacity. This results in better operational flexibility with a wider range of coal types, without shutting down the pulveriser for adjustment.

Another example of customer commitment is the Sector's inventory management programmes, which provide customers with replacement parts when needed. These programmes ensure parts availability, eliminate exposure on obsolescence, reduce the total cost of parts acquisition and improve outage materials planning. This in turn reduces time and cost of the outage.

Environmental equipment

Increasingly stringent environmental regulations are driving power and industrial plant operators to control and lower emission levels in their facilities, notably for particles, for NO_x and for SO_2. This is especially the case for coal- and oil-fired power plants, as well as for plants in process industries (iron, non ferrous, cement, pulp and paper, waste to energy). A recent trend is the growing importance of environmental regulations – and their actual implementation – for authorities in the newly industrialised countries, especially in Asia.

Power Service proposes cost effective and flexible solutions to upgrade and extend the life of air pollution control equipment. The Sector develops a comprehensive line of environmental services that not only result in fewer emissions, but also reduce the power consumption of environmental systems already in operation, therefore bringing operation costs down. Services offered include spare parts, improved equipment design, optimised maintenance technologies, and programmes tailored to customer needs, which propose upgrades with proven performance.

Environmental systems covered are electrostatic precipitators (ESP), fabric filters, flue gas desulphurisation, DeNOx systems and more globally, the entire flue gas line.

In addition, the Sector provides advanced control systems which allow for dramatic emission reductions whilst retaining full control of operations. They can typically bring particles emissions of plants equipped with ESP significantly below 30 mg/Nm^3, which would not have been possible a few years ago.

All these service activities cover original Alstom equipment as well as equipment from the other main OEMs.

Monitoring and diagnostics

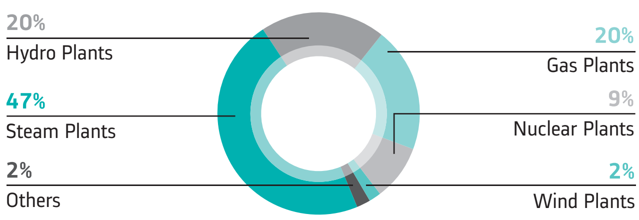
With Alstom monitoring and diagnostics systems, customers can analyse key aspects of their plants during operation (e.g. shaft line vibration, generator condition, etc.). They are able to recognise potential degradation of machine components at an early stage and take action accordingly. Through the implementation of a predictive maintenance policy, they can thus increase plant availability and reduce maintenance downtime. Moreover, customers are now given the possibility to monitor whole fleets of plants across large geographic areas, from one single remote centre.

Having successfully merged the capabilities developed over the years by Power Service with the ones of Alstom Strongwish, based in Shenzhen, China (acquired in 2006), the Sector now offers a comprehensive range of plant monitoring and diagnostics services, covering all the key power plant components across the whole spectrum of power generation sources (gas, coal-fired or oil-fired steam, nuclear steam, etc.). In addition, this service offering also applies to industrial plants.

Industry characteristics

The world's installed power generation capacity as of 1 January 2008 was estimated at around 4,603 GW. The chart below sets out the breakdown of this installed base by technology.

Installed base by plant type as of 1 January 2008



Source: Alstom, UDI.

Investments needed in new power plant construction generation over the next decades are extremely important: according to IEA (International Energy Agency) (WEO 2008), they should represent an average of more than €225 billion per year over the period until 2030.

MARKET EVOLUTION

After a period of intense growth in power infrastructure investment in the United States from the late 1990s, the world economy has been driven from 2003 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.

2007 was a record high year for power markets in almost every region, with overwhelming demand for conventional steam plants and hydro plants especially in Asia, but also a high level of gas plant orders in Europe and Middle East resulting in a fairly balanced technology split.

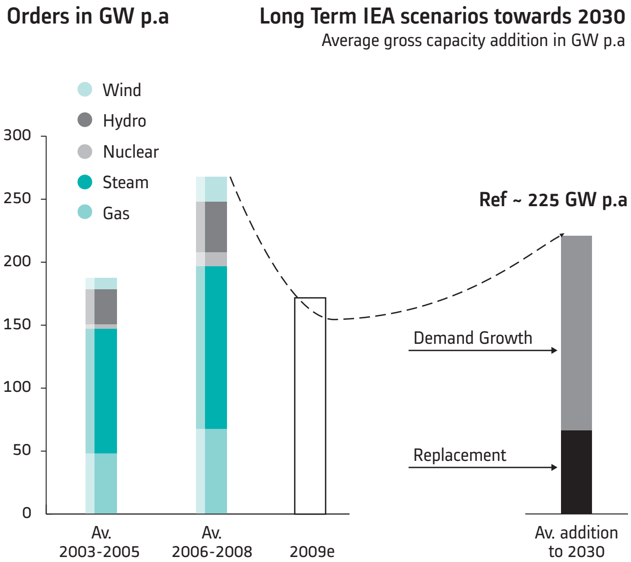
2008 was another exceptional year for new power plant markets and almost not affected by the crisis that started in the last quarter of the year. The Asian-Pacific market continued to dominate the picture with more than 60% market share followed by India, the Middle East and Europe. Technology wise, coal plants continued its dominance, not only due to solid demand in China and India but also in South Africa and Europe. Gas represented 23% of the total market. 2008 was also a record high year ever in the power market history for CO_2 free technologies, with more than 50 GW of hydro and 25 GW of wind together with a flow of order for new nuclear power plants.

The world economy is expected to strongly slow down in 2009. Reduced GDP growth will impact downwards the electricity consumption growth during that year, especially in the countries where economies strongly rely on industrial output. Financing constraints will also push utilities to delay certain investments. Long term drivers of power investments remain nevertheless extremely strong: emerging countries are looking for new power capacity, having often too small reserve margins, if not negative ones. In most industrialised countries, the ageing fleet drives the need for replacement, regardless of the electricity consumption growth, and the environmental issue remains a key driver, as illustrated by the "green" chapter inserted in most of government "stimulus packages".

Despite the relative slowdown in China, Asia is likely to remain the biggest market globally. The rest of the world market will be distributed among the Middle East and Europe, which remains gas dominated, but with a strong coal market in Germany. 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 gas and nuclear.

The graph below shows the evolution of the large power plant market by technology towards 2030, covering Alstom's scope of activity:

New power plant market per technology

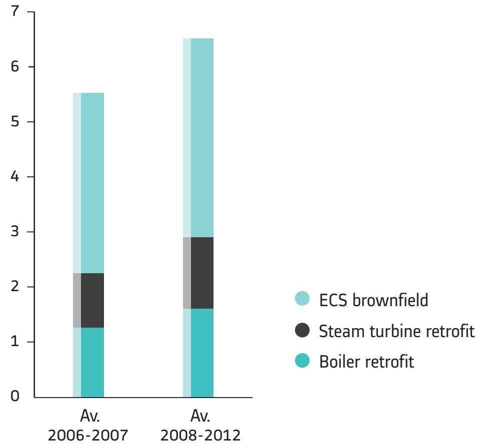


Source: Market until 2009e + replacement: Alstom. Long term demand growth: IEA reference scenario WEO 2006/2007 with 3.6% real PPP GDP growth (IB in 2030 is 8,240 GW).

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 graph below shows the evolution of the brownfield environmental [3] and retrofit markets over the 2008-2012 period:

Brownfield environmental and retrofit market in billion euros



Source: Alstom.

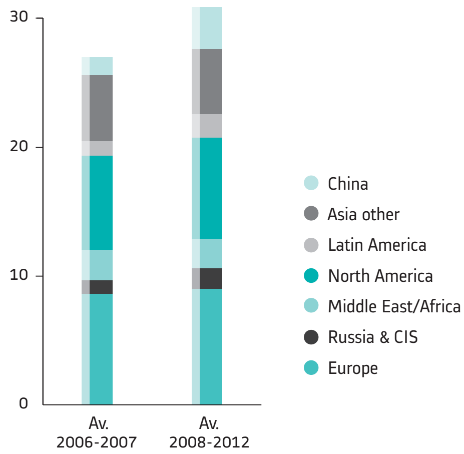
The service market benefits from solid long-term drivers. In Europe and in North America, an ageing installed base has increased the requirement for regular equipment maintenance, lifetime extension and/or performance upgrade. In developing markets such as China, India or the Middle East, the growing number of new power plants will boost service needs in the years to come. Everywhere, environmental concerns are pushing for lower emissions in existing power plants and fossil fuel prices, which should remain structurally high in the coming decades, are also contributing to the demand for services.

Alstom considers that the current financial and economic crisis should have a limited impact on the service market. However, in some geographical areas, some upgrades could be postponed. Correspondingly, any potential slowdown in the investment flow directed to new power plants may increase maintenance opportunities in existing plants in the short term. Alstom will continue to watch market conditions carefully, and adapt accordingly.

Overall, the service market generates an annual volume of circa €28 billion worldwide, with an estimated average growth rate of around 5% p.a. over 2008-2012 (Source: Alstom).

Evolution of the service market by geography over the 2008-2012 period, considering Alstom's scope of activity:

Total world outsourced market in billion euros



Note: excluding inflation, Thermal Power Plants >20MW only.

Source : Alstom.

MARKET DRIVERS

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

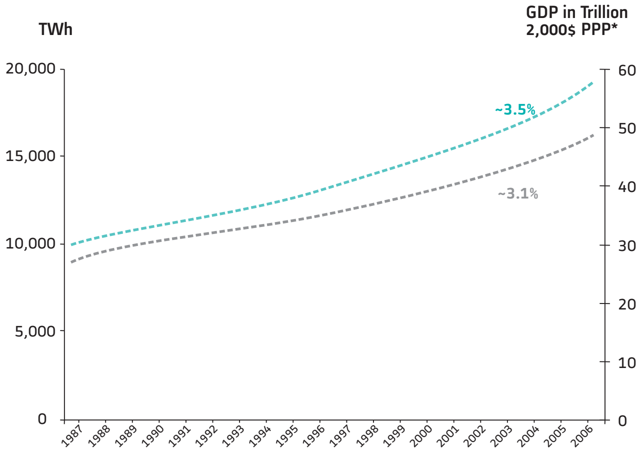
Economic growth

Power consumption and Gross Domestic Product (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. However, the difficult economic environment has had an impact here as well. Industrial production has taken a dip in several of the major Asian developing countries, most notably India, Vietnam and especially China, where power consumption declined for the first time in six years.

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.

(3) The brownfield environmental market includes add-ons of environmental systems on existing power plants to make them compliant with new emission regulations.

Correlation between electricity consumption and GDP growth



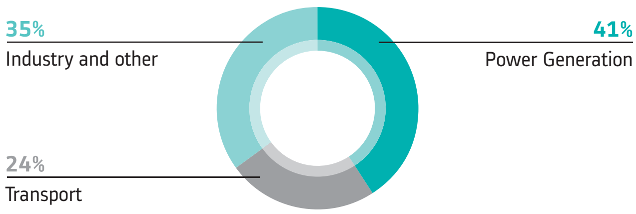
* Using Purchasing Power Parity, GDP Growth using exchange rate on the same period was 3.1%.

Source: Alstom, IEA, World Bank.

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.

2006 CO_2 emissions from fossil fuel combustion

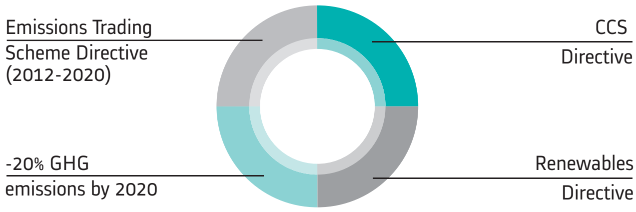


Source: IEA.

In Europe, the Energy and Climate Change Package voted on December 17th 2008 by the European Parliament represents the most important and comprehensive piece of legislation ever implemented in Europe. The new Directives will enter into force by March 2009 and will push investors (private and public) towards renewable and low carbon investments.

This will considerably influence Alstom's markets, among which, on the short term, massive new development of renewable (hydro, wind, etc) in all EU27 countries but principally in those which are further down as compared to their 2020 objectives (Spain, Italy, in Western Europe, and all Eastern European countries).

EU climate and energy package



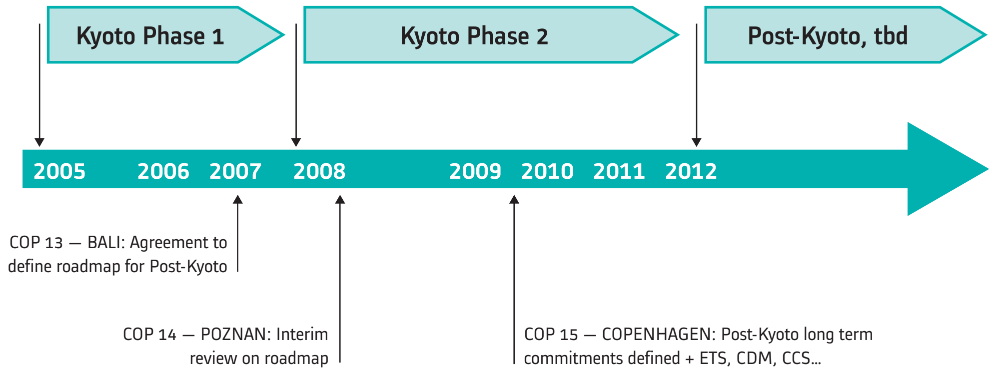
In the United States, there are rising expectations around the comprehensive "New Energy for America" plan announced by the new administration.

Among other measures, the announced plan will provide legislative framework to ensure that 10% of US electricity comes from renewable sources by 2012 and 25% by 2025. There is also the clear commitment to clean coal technology and the expected implementation of a CO_2 trading system.

In China, the Medium and Long Term Development Plan for Renewable Energy issued in September 2007 established targets for the development of various sources of renewable energy up to 2020, calling for the percentage of renewable energy to rise to 10% of total energy consumption by 2010 and 15% by 2020.

Environmental legislation: a main driver for change

The United Nations Framework Convention on Climate Change (UNFCCC) process



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

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

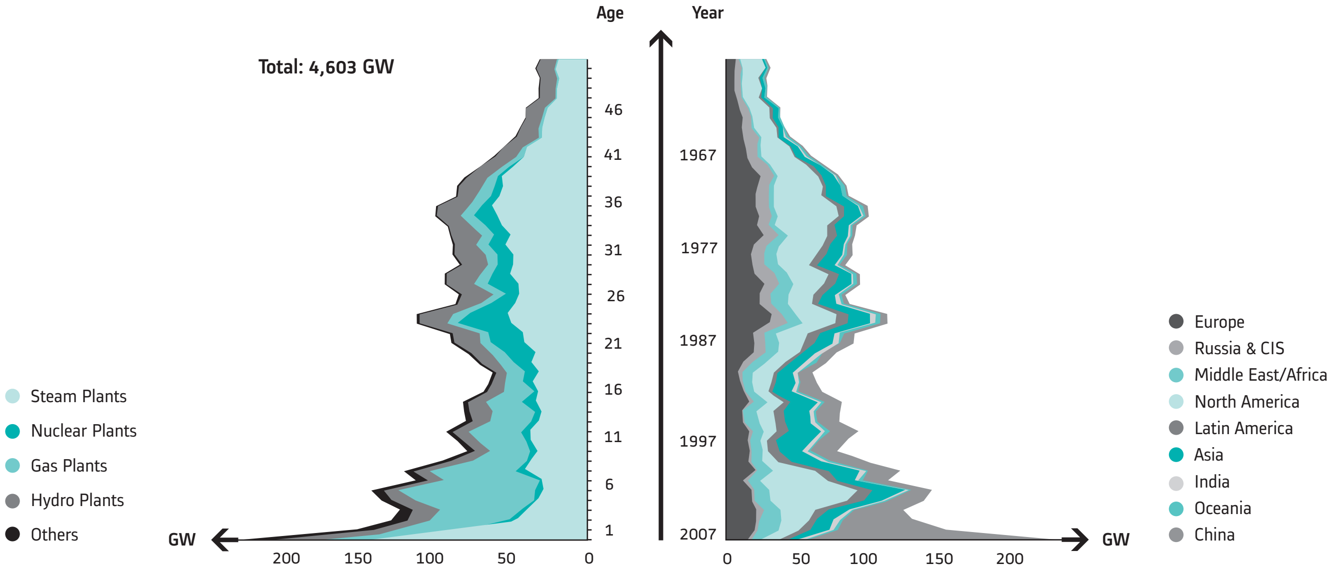
Ageing installed base of power plants

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 and retrofit 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 Systems and Power Service activities, especially in Europe and in the USA, but increasingly in other regions like Asia or the Middle East. The increasing number of old plants reaching retirement age will continue to drive the market for servicing and retrofits as utilities strive to replace components to maintain current levels of installed capacity, or take the opportunity to increase the plant's power output capacity to simultaneously address increased power demand.

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, retrofitting and servicing this large installed base of equipment is key to securing further retrofit and customer service contracts and supporting sales of the Power Systems and Power Service Sectors 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. However, alongside the economic and financial crisis experienced over the last financial year, the fuel market has also been affected. The slowing economy putting downward pressure on all fuels and official estimates indicate the global oil demand fell in 2008 and will drop again in 2009 amid the impact of the economic crisis. Lower demand also has had an impact on fuel prices, exemplified by oil prices sinking by more than two thirds from its peak of $143 per barrel. Volatile energy prices are not just an oil issue – natural gas, coal and uranium prices are all directly or indirectly affected by the fluctuations and questioning the right choice for investment in new power plants. Impacts on 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. Energy resources are not evenly distributed. The Middle East holds by far the largest reserves of oil and is also the world's main producer. The USA, Western Europe and Asia/Pacific are the largest 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. Future developments will also focus on new sources of gas, like unconventional gas. The potential for unconventional gas is big, although these reserves face considerable exploration and production challenges in terms of costs and availability of equipment. 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.

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.

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.

Energy management

The systems inside the plant for automation and managing all the information related to the plant, will have to grow into the higher level systems used by traders and plant portfolio operators. This will allow them to improve their plant operational decisions on how to dispatch their plant optimally, doing the most efficient arbitration between coal, gas, wind, hydro as well as in the future demand side participation.

Competitive position

POWER SYSTEMS COMPETITIVE POSITION

The Power Systems Sector holds a leading position in all of its Businesses worldwide; it has altogether seven core segments where Alstom faces international competition.

In gas turbines, Alstom is facing competition from three major global groups: General Electric, Siemens and Mitsubishi Heavy Industries.

In steam turbines, the Sector competes with General Electric, Siemens, Mitsubishi Heavy Industries and Toshiba as well as to emerging regional players, such as Shanghai Electric, Harbin and Dongfang from China and BHEL in India.

In the utility boilers segment, the main competitors are Mitsubishi Heavy Industries, Babcock & Wilcox, Babcock Hitachi, Foster Wheeler and the above-mentioned suppliers from China and India.

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 industrial application, the Sector mainly competes with Hamon, FLS Airtech, Solios, Mitsubishi, Voest Alpine, Enfil and BHA.

In hydroelectric power generation, the main competitors are Voith-Siemens, Andritz VATECH Hydro and IMPSA as well as Harbin, Dongfang and BHEL.

In wind, Alstom entered the market in 2007 when it completed the acquisition of Spanish Ecotècnia; its main competitors are Vestas, Gamesa, Siemens, General Electric, and Enercon.

In power plant control systems, the main competitors are ABB, Siemens, Emerson, Yokogawa and Invensys.

The Power Systems Sector's competitive strengths include:
- one of the leading companies with a global presence and references;
- 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 leadership position in steam turbines and generators for all applications;
- its leadership position in the conventional islands of the nuclear power plant;
- its leadership in retrofit solutions for the installed base;
- its position as number 1 in hydro systems and equipment;
- 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, 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.

Power Service has developed strong synergies between its global assets and its local capabilities. The Sector's global assets include:
- the largest installed base of OEM equipment in operation within power plants worldwide (Source: UDI-Alstom);
- the depth and breadth of its technology portfolio, fuelled by specific Sector research and development;
- effective industrial networks;
- transversal tools to streamline operations and ensure their efficiency: Customer Relationship Management system, Project Management practice; and
- a strong service culture shared by over 21,000 employees.

These competitive advantages enable Power Service to leverage its proximity with customers all over the world, and sell a wide portfolio of differentiating services, therefore increasing both volume and added value.

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 R&D 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 focusing 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 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 already under way 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.

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 at a large scale in the gasification process itself as this technology cannot be applied to the existing fleet. This technology may 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 and consequently Alstom has launched development programmes to enable its gas turbines to burn hydrogen-rich gases.

Alstom has already signed nine 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;
- an agreement with PGE Elktrownia Belchatów SA in Poland for a 20 MWt pilot carbon capture plant and a larger Carbon Capture and Storage (CCS) project to capture CO_2 produced by the new 858 MW lignite-fired unit is currently being built by Alstom for Elektrownia Belchatów;
- a collaboration between Alstom and Dow to design and construct a pilot plant using a new advanced amine technology to capture CO_2 from the flue gas of coal-fired boiler at a Dow-owned facility in West Virginia, USA.

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 and commercialisation agreement with The Dow Chemical Company (Dow) has been 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 3 MW wind turbine called Eco 100 with the first prototype installed at the beginning of 2008. It will match the growing needs of bigger turbines.

Alstom Hydro's dedicated R&D organisation is continuously improving product development in order to better meet customer needs. Global technology centres create in-house Alstom Hydro product designs. They contribute to breakthroughs in the fields of oil-free turbine components, generator oblique elements, variable speed technologies and double-stage adjustable pump turbines.

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 centres in France, Germany, Switzerland, United Kingdom and the United States of America. 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

Power Service has continuously invested in dedicated Research & development (R&D) programmes, which have enabled the Sector to both protect and enhance its competitive position in the market, and to continue to deliver useful innovations to customers.

This R&D programmes focus mainly on the following areas:

- a wide range of upgrade designs for plant components (gas and steam turbines, boilers, environmental systems). In a large number of cases, upgrades enable customers to keep their plants competitive when they are running on older technologies. They aim at increasing power output, equipment efficiency, lifetime, environmental performance, or a combination of these four elements;
- a unique set of inspection technologies, based on advanced in-house competencies in inspection robotics. The goal is to perform faster and more effective inspections or non-destructive tests on complex equipment such as gas and steam turbines;
- the development of a comprehensive range of monitoring and diagnostics systems, enabling customers to leverage the potential of the latest information technologies to remotely analyse the condition of critical equipment in their plants;
- methods and technologies to reduce outage duration and related cost for the benefits of its customers;
- specific technologies to increase plant efficiency and therefore to reduce CO_2 emissions and improve the environmental footprint of existing plants.

In addition, and in order to leverage the full potential of the Sector's R&D capabilities, projects often cover components from both Alstom and non-Alstom fleets. For instance, the Sector recently developed upgrade technologies, which apply to non-Alstom gas turbines.

Strategy

POWER SYSTEMS STRATEGY

The two pillars of the Power Systems strategy are:

- Clean Power; and
- Plant Integrator.

Clean Power

Combating climate change is truly a global issue and one that all sectors of government, industry and the community at large must address. However with 40% of CO_2 emissions emanating from the power generation sector, and with global energy demand expected to double by 2030, the power industry must take a leadership position and play a key role in significantly reducing its emissions. The global scientific community shares a common view that in order to limit further increases in the earths surface temperature, the concentration of CO_2 in the atmosphere must be stabilised at a manageable level in the mid to long term – at a concentration not exceeding 450 ppm.

Alstom's commitment to providing solutions to meet this challenge is a long standing one. There is no single solution and it will take a range of approaches. Strong leadership from regulators is required to establish a global regulatory framework and create the foundations of certainty in which the industry can properly plan for and operate in the future.

The first approach for the reduction in CO_2 emissions focuses on the technology mix. No single form of power generation will address the dual challenge of securing the supply of reliable and affordable energy and affecting a rapid transformation to a low carbon system of energy supply. It will take all types of generation technologies including fossil fuels, nuclear and renewables. Alstom has no single preferred technology. With the most comprehensive and balanced portfolio of generation equipment in the market including the removal of traditional pollutants, Alstom is well positioned to assist plant operators apply the most appropriate technology mix to meet their market conditions.

The second approach is that of production efficiency and energy flow management. In this field Alstom looks to solutions for both the installed base and for new plants. With 60% of the total of CO_2 emissions in 2030* coming from existing plants, solutions must continue to be developed and implemented to increase the efficiency of plants operating today. It follows that for every incremental increase in production efficiency, there is a decrease in emissions concentration. Similarly, such increases in production efficiency, have a direct effect on fuel consumption. The more efficient a plant is, the less fuel it consumes to produce the same electrical output – an area of increasing priority in a time where security of fuel supply is a growing concern. Alstom's comprehensive range of integrated retrofit solutions offer its customers a varied and innovative range of products that can be applied to their existing asset base, increasing their efficiency, output and extending the plant life. Alstom is also continually improving on existing technologies. With customer focus on plant economics and environmental impact, all new plants offered by Alstom today provide significant improvements on yesterday's technology. Alstom is working towards innovations that aim to achieve the goal of 50% plant efficiency for steam plants and 60% for combined cycle gas fired plant – a significant improvement in comparison to technologies currently available.

The third approach to address the climate change challenge is the application of Carbon Capture and Storage (CCS) technologies. With fossil fuels accounting for 80% of primary energy production by 2030*, CCS is essential. Alstom is currently focussing on two main categories of CCS, oxy-combustion and post-combustion capture.

* IEA World Energy Outlook 2008.

This strategy arises not only because these technologies should be the most economically viable and sustainable solutions for Alstom's customers, but also because these technologies can be retrofitted to the installed base – an essential component to meeting future emission targets. Alstom continues its significant R&D efforts in the field of CCS and is currently validating the technologies at a number of pilot and demonstration projects throughout the world, working closely with its partners toward full scale commercialisation which should be available to market in 2015. During this validation process of the CCS solutions, to avoid the risk of stranded assets, Alstom offers its customers a "CCS Ready" plant concept. This concept takes into account the needs of customers who purchase plants today that will ensure they are not financially penalised when the technology becomes available. Capture ready will limit the time for plant outages and unnecessary expense and ease the integration at the time of installation of the CO_2 capture system.

Addressing the climate change challenge will take a global approach and Alstom is confident that its strategy of "Clean Power Today" will meet this challenge.

Plant Integrator

Thanks to its Plant Integrator™ concept, Alstom's complete portfolio can be customised according to the project specific needs.

Alstom's expertise and competence are used to imagine the best solution for the customer, and to shape a new plant every time. Within Plant Integrator™, the Group encompasses integration of both components (products) and its expertise, the knowledge needed for ad hoc consultancy required by each project.

To offer the best solution to the customer, the Group provides a consultancy work and the search for optimised, customised solutions.

This holistic approach allows a more comprehensive vision of the plant, and has tangible benefits for the customer:
- increase cash flow and get the lowest cost;
- get more power;
- increase the installation's efficiency;
- burn less fuel;
- improve flexibility of operations.

The Plant Integrator™ approach is particularly efficient for the retrofit of the installed base.

POWER SERVICE STRATEGY

Power Service ambition is to be recognised as the global leader in plant maintenance and plant long-term service.

This objective is underpinned by a market-driven organisation centred on meeting customers' needs, by differentiation through technology, and by the provision of innovative products and services delivering value to the customer.

The development of the Sector's portfolio aims at meeting customers' requirements not only at the individual components level, but also encompasses the entire power plant. Innovation concentrates on solutions that extend plant components lifetime, improve power plants overall performance and reduce their environmental impact.

Beyond the maintenance and the modernisation of Alstom's own installed base, which is core to business, noble parts for other original equipment manufacturers will also contribute to generating long term growth opportunities for Power Service.

The Power Service strategy includes acquisition opportunities where these can generate synergies with existing businesses. Potential acquisitions will be considered in order to support specific initiatives, consolidate local footprints or execution capabilities, or add new products and technologies to the Sector's service portfolio.

Key financial data

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

Power, actual figures

			% Variation 2009/08	
Year ended 31 March (in € million)	**2009**	2008	Actual	Organic
Order backlog	26,164	21,939	19%	17%
Orders received	16,466	15,970	3%	4%
Sales	13,054	11,370	15%	13%
Income from operations	1,248	1,007	24%	22%
Operating margin	9.6%	8.9%		
EBIT	1,172	1,001	17%	
Capital employed	1,469	1,287	14%	

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

POWER SYSTEMS

Power Systems, actual figures

			% Variation 2009/08	
Year ended 31 March (in € million)	**2009**	2008	Actual	Organic
Order backlog	19,385	16,039	21%	20%
Orders received	11,879	11,569	3%	3%
Sales	9,239	7,768	19%	16%
Income from operations	600	415	45%	42%
Operating margin	6.5%	5.3%		
EBIT	548	408	34%	
Capital employed	(950)	(937)	1%	

POWER SERVICE

Power Service, actual figures

			% Variation 2009/08	
Year ended 31 March (in € million)	**2009**	2008	Actual	Organic
Order backlog	6,779	5,900	15%	10%
Orders received	4,587	4,401	4%	5%
Sales	3,815	3,602	6%	8%
Income from operations	648	592	9%	7%
Operating margin	17.0%	16.4%		
EBIT	624	593	5%	
Capital employed	2,419	2,224	9%	

Comments on activity during fiscal year

ORDERS

Power Systems

Fiscal year 2008/09 was, as 2007/08, a strong year for the market of new equipment for power plants. Asia/Pacific continued to dominate with more than half of the market, followed by the Middle East and Europe. Technology wise, coal plants confirmed their dominance, due to the solid demand not only in China and India but also in South Africa and Europe. The renewables (mainly hydro) kept on growing in all continents. Nuclear projects have progressed in several countries confirming the anticipated nuclear revival, whereas gas market remained at the high level of 2007/08. The demand for upgrade and refurbishment of the existing power plants also progressed worldwide.

In fiscal year 2008/09, Power Systems was awarded key contracts for all types of fuels for a total of €11.9 billion, a 3% growth compared to the high level registered last year, both on actual and organic bases.

In Europe, Alstom enjoyed major successes in coal, with equipment (boilers or turbines) ordered for power plants in Germany and the Netherlands. Total orders booked amounted to €4.3 billion. The orders for environmental equipments and retrofit of existing plants remained high all across Europe, as the need to improve power plants efficiency and to comply with environmental regulations was confirmed. In renewable energies, the Sector won contracts in the United Kingdom for a biomass co-firing power plant allowing CO_2 emissions reduction, and hydro power plants in Portugal and in Turkey. Gas market has been very active in Europe, where Alstom booked contracts in the Netherlands (3 x GT26™), Spain (1 x GT26™), France (2 x GT13™) and in Armenia (2 x GT13™). Alstom also received the first orders for its new 3 MW Wind turbine (Eco 100) on top of the Eco 80 orders (2 MW).

South and Central America was again dominated by hydro orders with key contracts for a total of 47 turbine sets in Brazil for the San Antonio and the Jirau hydro plants in the Amazonia region, in Ecuador and in Panama. North American contracts awarded were mainly for coal installed base (environmental equipment or retrofit) and hydro power plant retrofit.

Main orders received in China were for three hydro power plants and two nuclear projects, where Alstom could demonstrate once again its competitive edge for conventional island technologies. In this country, the Sector also booked contracts for coal steam turbines and boilers. In the rest of Asia, orders covered the Sector's whole portfolio: coal-fired boilers, hydropower and environment control systems for industrial plants in India as well as gas in Indonesia.

Demand in the Middle East/Africa region has been strong again this year. Very large projects such as Kusile (turbine islands of a coal power plant) in South Africa, which followed the Medupi contract received the previous year, served the increasing demand for electricity in the country. In Saudi Arabia, Alstom was awarded a new phase (3 x 400 MW oil-based turnkey plant) of the Shoaiba plant, for which the Company had already conceived and built the 11 x 400 MW blocks. Alstom also received the first order in this country for a boiler retrofit. In Africa, contracts for combined cycles with four GT26™ have been signed (Algeria and Tunisia). Projects to retrofit the existing fleet, for hydro in Angola and the Democratic Republic of Congo, and for nuclear in South Africa, were also awarded to Alstom. Total of orders booked in the region amounted to €4.2 billion, a 23% increase compared to last year (31% on an organic basis).

Power Service

Power Service's orders intake during the year 2008/09 was €4.6 billion, a 4% increase (5% on an organic basis) compared to €4.4 billion booked last fiscal year. Main orders received included four major Operation and Maintenance (O&M) contracts as well as the upgrade of equipment, supply of spare parts and inspections.

Europe accounted for 35% of the total orders received by the Sector at €1.6 billion, showing a slight decrease of 4% compared to fiscal year 2007/08 (-1% on an organic basis). Lower bookings in the United Kingdom, where a large Operation and Maintenance contract was registered last year, explained this small decrease this year. Main orders received comprised Operation and Maintenance contracts for power plants in Spain and the Netherlands, a long term service agreement and spares supplies in the United Kingdom, desulphurization systems for a power plant in Estonia and the upgrade of the turbo group for a power plant in Hungary. In addition, Alstom signed in 2008/09 a framework agreement for the renovation of 900 MW and 1,300 MW generators for nuclear power plants in France.

Standing at €1.0 billion, North America gathered 22% of the orders received, a slight decrease (-1% on an actual basis) from the previous year. Orders booked in Canada showed a 10% increase over the year. Orders in South and Central America stood at €86 million, representing 2% of the total orders booked by the Sector.

In 2008/09, Power Service recorded €644 million orders in Asia/Pacific (a 14% decrease since last year on actual and organic bases), representing 14% of the total orders booked over the period by the Sector. Main successes in the region were recorded in Korea, Japan and Indonesia, as well as in Australia.

Finally, with €1.3 billion, the Middle East/Africa region represented 27% of the total Power Service new orders intake in 2008/09 (19% last year), realising a 52% growth (49% on an organic basis) year on year. Main orders received included three long-term Operation and Maintenance contracts for GT26™ combined cycle power plants in Algeria, Tunisia and the United Arab Emirates.

Main orders received by the Power Sectors during fiscal year 2008/09

The Power Sectors received the following major orders during 2008/09:

Country	Sector	Description
Algeria	Power Systems	Turnkey 1,280 MW 3 x GT26™ combined cycle power plant
	Power Service	20-year long-term maintenance contract
Brazil	Power Systems	Supply of electro-mechanical and hydro-mechanical equipment for a hydro power plant (19 bulb turbines and 22 generators)
	Power Systems	Supply part of the equipment for a hydro power plant (10 bulb turbines and 17 generators)
China	Power Systems	Turbine island of an EPR nuclear power plant
	Power Systems	Turbine island of a CPR1000 nuclear power plant
France	Power Service	Framework agreement to renovate generators in nuclear power plants (1 x 900 MW and 1 x 1,300 MW)
Germany	Power Systems	Supercritical boilers for 2 x 800 MW units of a coal-fired power plant
	Power Systems	Turnkey power block of a 910 MW supercritical coal-fired power plant
India	Power Systems	Turnkey hydro electric project (6 x 40 MW bulb turbine generator units)
Indonesia	Power Systems	235 MW 1 x GT13™ combined cycle power plant
Panama	Power Systems	Turbine-generators and other mechanical equipment for 3 hydropower plants
Portugal	Power Systems	Extension of a hydropower plant (2 x 130 MW)
The Netherlands	Power Systems	Turnkey 3 x GT26™ combined cycle power plant and repowering of an existing power plant
	Power Service	Long-term operation and maintenance agreement
	Power Systems	2 x 800 MW boilers for a coal based power plant
Saudi Arabia	Power Systems	1,200 MW oil-fired steam power plant
South Africa	Power Systems	6 x 790 MW turbine islands for a coal-fired power plant
	Power Systems	Retrofit solution for low-pressure turbines for 2 x 970 MW units at a nuclear power station
Spain	Power Systems	Frame agreement for 300 MW wind turbines
	Power Systems	Turnkey contract for a 400 MW 1 x GT26™ combined cycle power plant
	Power Service	Long term operation and maintenance contract (12 years)
Tunisia	Power Systems	Turnkey 400 MW 1 x GT26™ combined cycle power plant
	Power Service	12-year operation and maintenance contract
United Arab Emirates	Power Service	16-year contract for spare parts and maintenance services for a 2,000 MW combined cycle power plant

SALES

Power Systems

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

Power Systems, actual figures

Year ended 31 March (in € million)	2009	% of contrib.	2008	% of contrib.	% Variation 2009/08 Actual	% Variation 2009/08 Organic
Europe	4,341	47%	3,665	47%	18%	12%
North America	1,080	12%	1,348	17%	(20%)	(19%)
South and Central America	641	7%	475	6%	35%	38%
Asia/Pacific	1,493	16%	1,472	19%	1%	(2%)
Middle East/Africa	1,684	18%	808	11%	108%	106%
Sales by destination	**9,239**	**100%**	**7,768**	**100%**	**19%**	**16%**

In 2008/09, Power Systems generated sales of €9.2 billion, a level 19% higher than in the previous year (+16% on an organic basis). Middle East/Africa, Europe and South and Central America strongly contributed to this increase in sales. The book-to-bill ratio remained strong at 1.3 (1.5 last year).

Sales in Europe represented once again the main part (47%) of the Sector's total sales during the period at €4,341 million showing an 18% progression year on year (+12% on an organic basis). Sales were mainly fuelled by turnkey plant projects in the United Kingdom, Ireland, Poland and Bulgaria.

Sales in North America decreased by 20% to €1,080 million (-19% on organic basis), as some of the large projects entered into their final stage of execution.

With €641 million, sales in South and Central America increased by 35% over the last period (38% on an organic basis), representing 7% of the total Power Systems' sales. Contracts for hydro and gas power plants in Brazil have generated most of the sales during last year.

Sales in Asia/Pacific remained stable at €1,493 million, contributing to 16% of the total Sector's sales. Traded projects included a turnkey gas-fired power plant in Australia, hydro projects in India and China, a gas power plant in Indonesia and boilers in China.

Sales in Middle East/Africa were €1,684 million showing a 108% increase over the last period (+106% on an organic basis). Execution of major projects in Algeria, the United Arab Emirates, Saudi Arabia and South Africa explained this strong progression.

Power Service

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

Power Service, actual figures

Year ended 31 March (in € million)	2009	% of contrib.	2008	% of contrib.	% Variation 2009/08 Actual	% Variation 2009/08 Organic
Europe	1,403	37%	1,241	34%	13%	18%
North America	1,108	29%	1,154	32%	(4%)	(3%)
South and Central America	158	4%	105	3%	50%	53%
Asia/Pacific	648	17%	642	18%	1%	2%
Middle East/Africa	498	13%	460	13%	8%	4%
Sales by destination	**3,815**	**100%**	**3,602**	**100%**	**6%**	**8%**

During the year 2008/09, overall sales were up by about 6% to €3,815 million (8% on an organic basis), with Europe contributing 37% of total sales at €1,403 million up from €1,241 million the previous year.

With total sales of €1,108 million, North America's contribution to Service Sector sales was 29%. Sales during the year were lower by 4% on an actual basis (-3% on an organic basis).

During fiscal year 2008/09, Asia/ Pacific sales were at €648 million, stable year on year, while sales in Middle East/Africa showed a growth of 8% (4% on an organic basis), with sales at €498 million.

INCOME FROM OPERATIONS AND OPERATING MARGIN

Power Systems

The Power Systems income from operations was €600 million, compared to €415 million in 2007/08, representing an increase of 45% (42% on an organic basis). The operating margin rose from 5.3% to 6.5%, driven by the higher sales volume, a controlled project execution and a focus on costs control.

Power Service

Power Service recorded an income from operations of €648 million for fiscal year 2008/09, a €56 million increase compared to the previous fiscal year. Supported by volume increase and the project execution performance, the operating margin reached 17.0% (16.4% for fiscal year 2007/08).

Transport Sector

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

Offering

Trains (rolling stock)

Alstom addresses all segments of passenger rail transport 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. Alstom addresses the freight-by-rail segment with locomotives, rail control and parts and maintenance support.

The rolling stock product line is organised into five product centres of excellence and manufacturing centres of excellence, 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;
- Intercity Trains Group based in Savigliano, Italy, is in charge of PENDOLINO™ tilting trains, CORADIA™ "MINUETTO*" and X'TRAPOLIS™. These trains operate at speeds ranging from 140 kph 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 to 180 kph;
- Urban Trains Group based in Valenciennes, France, is in charge of designing the Sector's new generation of CITADIS™ tramways including a "Tram-Train" CITADIS Dualis™ as well as the METROPOLIS™ metros;
- Locomotives Group based in Belfort, France, is in charge of the new generation of PRIMA™ locomotives.

Manufacturing centres of excellence are present across all continents.

* MINUETTO is a trademark of the company Trenitalia SpA.

Railway infrastructure (track & electrification)

Alstom addresses both urban and main line rail transport infrastructure segments. This 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:

- trackwork, with design and installation 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 utilities including electrical and mechanical equipment;
- maintenance of all these items of railway infrastructure.

Rail control systems (railway signalling and information solutions)

Alstom provides information solutions to rail transport operators and infrastructure managers, supplying equipment which allow them to operate efficiently and safely.

In the main line railway segment, the Group offers customers a complete range of products. It is 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 São Paulo (Brazil).

Alstom markets these products either as single products or as integrated system solutions that meet either European (with the ATLAS™ solution) or American standards.

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 (closed circuit TV, 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, Alstom 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 trend of railway market liberalisation around the world, combined with the underlying trend for increasing private financing in railway ventures, is triggering long term 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

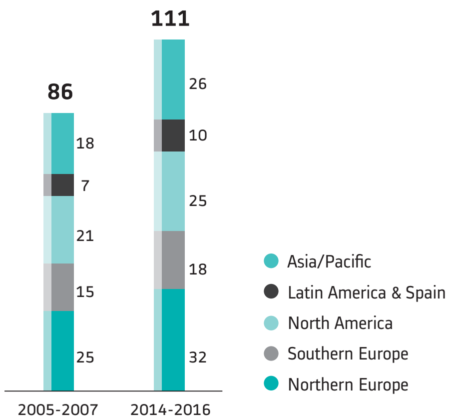
MARKET EVOLUTION

The rail market has exhibited a high level of development over the past couple of years, driven by economic growth, demographics, ever-increasing urbanisation and a growing concern for the environment. Moreover, existing transport infrastructures are increasingly saturated, causing modal shift from air and road to rail, as well as generating investment in additional rail infrastructure. The combination of all these factors has driven market growth, which is expected to continue in the long run.

In September 2008, the European Railway Industries Union (UNIFE) updated its 2006 world market study. The accessible market, re-evaluated accordingly, shows a total of €86 billion p.a. on average in 2005-2007. This market is expected to grow at 3% p.a., leading to €111 billion p.a. on average in 2014-2016. Whereas Europe will continue to represent the bulk of the market with approximately half of the world market, Asia/Pacific and Latin America are expected to grow at the fastest pace, at 3.5% and 4% respectively. At the same time, signalling and services segments are expected to grow above the aggregate average: between 3% and 4%. It should be noted that the Sector has access to roughly half this market given its current commercial as well as product and service footprint.

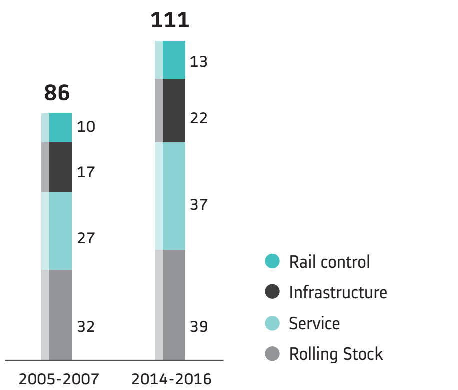
In the short run, the current crisis is expected to have a limited impact on Transport's market. Passenger traffic is holding up very well, even growing in certain sub-segments. At the same time, the industry benefits from economic stimulus packages in a significant number of markets, from Europe, to the USA and China. These plans favour investments in infrastructure as well in "cleaner" means of transportation. Financing issues can cause some project delays, whereas others are accelerated as a result of above plans. The consequence is overall a resilient market in the passenger segment. By contrast, freight traffic is heavily impacted by the economic downturn, pushing operators to reduce the level of their investment; Alstom's Transport Sector has overall a limited exposure to this market segment.

Rail transport market growth by region in billion euros



Source: UNIFE-Alstom.

Rail transport market growth by product line in billion euros



Source: UNIFE-Alstom.

MARKET DRIVERS

Environmental concerns and energy management

The global need for mobility is creating specific 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. Cleaner and more energy efficient trains, as well as the capacity to boost traffic on existing rail lines are concrete and feasible solutions to address 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 limited global impact throughout product life management. For instance, the Sector already offers the option to send a significant amount of electricity back to the grid during the braking phase.

Transport's industrial organisation also contributes to this environmental concern through a management system assessing continuous improvement. As part of this effort, an "Eco-design" Centre of Excellence was created in 2007.

Urban Integration

Cars are increasingly becoming unwelcome in cities around the world, whereas the need for mobility keeps growing. Thus, Alstom needs to offer alternative solutions that bring full satisfaction to city planners and inhabitants. Both expect minimum disturbance from the rail system, which should be the least intrusive possible. City planners also want to offer efficient interchange between transport modes.

For example, several years ago Alstom developed a catenary-less tram solution, APS, and put it in service in 2003. To this day, Alstom remains the only supplier to offer a service and safety-proven solution that allows electrical power supply without catenary and this solution has been sold several times since, most recently in Dubai (United Arab Emirates). The Sector also offers a battery-based solution, already in service in Nice, France, and is testing super capacitor-based technology.

Beyond this wide tramway offering, the Sector also provides other solutions to address the needs of rail transport in urban areas *i.e.* the metro and tram-train ranges. These various solutions can be developed into an integrated transport network including intermodal nodes. In addition, the Sector provides a unique way to customise the design of its product to best match the "spirit" of each city: Alstom is equipped with an integrated Design & Styling studio.

Infrastructure saturation

Airports are increasingly saturated, causing delays and customer dissatisfaction. Car ownership, high in developed economies, is also growing fast in developing economies; this, combined with population growth, leads to insufficient road capacity. Consequently, authorities seek to develop rail infrastructure. This not only provides an increase in transport capacity, but also a reduction in green house gas emissions when commuters and freight shift to rail.

In developed economies, rail infrastructure is generally mature, with the exception of the very high speed network which continues to show growth in rail kilometres. For the rest of the network, the focus is on maximising throughput on existing networks: European standard ERTMS (mainline) or CBTC (urban) allow for reduced headways and interoperability; increased speed (AGV™, freight locomotives) as well as double-decker rolling stock (very high speed, regional or suburban) offer additional throughput; and Alstom's unique TRAINTRACER™ maintenance system maximises availability of rolling stock by minimising the turn-around time in case a repair is needed. In developing economies such as China or India, for both urban or intercity transportation, the focus is put on expanding the network, so that passengers and goods can travel more efficiently.

Alstom offers a complete portfolio of solutions that helps relieve this infrastructure saturation. This includes from high-performance signalling systems, high capacity and very high speed rolling stock, track and electrification installation to provide efficient service and an effective supply chain for parts.

Freight development

Even if freight volume has dropped significantly as a result of the current economic slowdown, there remains a long-term trend for growth, driven by economic activity and trade. In addition, infrastructure is improving, bottlenecks are being alleviated and international corridors are being established (e.g. Trans-European-Network-Transport in Europe or Europe-to-Asia route). Operators increasingly extend their reach internationally, feeding the continents from the harbours.

Consequently, the Sector is offering locomotives which freight operators can use along the full length of international corridors in Europe, as they are equipped to run under various signalling systems: interoperability is the key word. Operators no longer have to change locomotives at borders. Moreover, we are addressing the specific needs of the growing population of private operators and leasers, by reducing our time-to-market, to meet their need to swiftly adjust their capacity in order to fulfil new transportation contracts.

Global comfort

Passenger operators and city governments seek to build their competitive advantage, either to position themselves versus existing competition or to capitalise upon the spirit of the community. In addition, the regionalisation of the investment decision process in Europe results in increasing attention paid to customers' expectations, whether it is for more safety, more comfort or on-board connectivity, for instance. Such services are also ways to generate more revenues and profitability for operators.

The Sector develops a number of R&D programs to deliver innovative solutions towards global comfort. It offers comfortable interiors thanks to its unique in-house “Design & Styling” studio, Internet connectivity to remain in touch, on-board entertainment systems for pleasure and passenger information systems in both trains and stations to provide the means for operators to keep their passengers informed at all times.

Competitive position

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

Alstom is a world market leader in rail transportation 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 and track work. Alstom’s main competitors in the field of rail transportation are Bombardier and Siemens.

One of the Sector’s key competitive strengths is its product and service offering, the broadest in the industry. This allows Alstom to offer optimal solutions for its customers’ specific needs. Furthermore, this provides a significant competitive edge to optimise the integration of the various parts, whether products or services, in turnkey projects.

This competitive strength in products and service is best demonstrated by Alstom’s technological leadership in products such as AGV™, PENDOLINO™ tilting trains, ERTMS Signalling, URBALIS™, APS catenary-less tramway, and services such as TRAINTRACER™. This strength is also visible through the customer-centric, service-and-assistance-focused organisation supported by a strong global network of engineering, manufacturing and service locations.

The customer benefits, resulting from the above, range from full life cycle cost competitiveness, overall system performance including product availability and reliability, to passenger comfort or product styling.

Research & development

In 2008/09, the Transport Sector further strengthened its product portfolio thanks to the following R&D key achievements:

- AGV™: the test runs of the 7-car prototype of this fourth generation very high speed train were successfully carried out in Velim (Czech Republic) and on the Eastern LGV Line (France), where the targeted 360 kph mark was exceeded.
- CITADIS™: the new generation of this successful tramway product, designed to run in an optimal fashion on older existing tramlines, completed this year a programme of prototype test runs. These dynamic tests were held in Valenciennes (France), Wildenrath (Germany) and then in Katowice (Poland) on an old existing tramline, thus validating this new architecture concept, which also covers the tram-train application.
- URBALIS™: this CBTC (Communications-Based Transit Control) system solution has been successfully commissioned for the 2008 Olympic Games on the Beijing metro line 2.
- STEEM: this new Energy Storage System, using super capacitors, will go through final testing before summer 2009, prior to entering into revenue service. This new system will allow CITADIS™ tramways power supply autonomy over a short section without catenary.
- TRAINTRACER™: this web-based technology solution enables train status and infrastructure provided by on-board equipment to be managed as information, thus improving train fleet availability and decreasing maintenance costs. This innovative solution is already in service on PENDOLINO™ in the UK. In addition, it was successfully tested this year on two pilot projects in France on locomotives and on tramways.

Strategy

The rail market remains very promising, and its growth takes place in segments where the Sector has strong positions. In this business environment, Alstom confirms its strategy of profitable growth, while continuing its policy of strict selectivity in order intake.

To respond to the evolution of the market towards standard solutions, Alstom has launched a platforming strategy: the Sector already benefits from 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 customer-specific developments. The Sector is investing in new value-adding platforms, as demonstrated by the AGV™, which has already been sold in Italy.

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.

Another key part of the Sector’s strategy is to put an emphasis on developing its activities in promising markets, in particular Russia where Alstom entered into a strategic partnership with the Russian rolling stock manufacturer Transmashholding (TMH), as well as in 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.

Key financial data

The following table sets out key financial data for Transport:

Transport, actual figures

Year ended 31 March (in € million)	2009	2008	% Variation 2009/08 Actual	% Variation 2009/08 Organic
Order backlog	19,506	17,283	13%	14%
Orders received	8,114	7,467	9%	11%
Sales	5,685	5,509	3%	5%
Income from operations	408	397	3%	5%
Operating margin	7.2%	7.2%		
EBIT	389	368	6%	
Capital Employed	(331)	(84)	294%	

Comments on activity during fiscal year

Transport benefited from a dynamic market, particularly strong for very high speed, mass transit, and tramways, but also for turnkey, services and signalling.

ORDERS

Orders received by Transport during financial year 2008/09 were €8.1 billion, *i.e.* 9% higher than last year (11% on an organic basis).

Confirming Alstom's position at the cutting edge of very high speed and demonstrating customers' interest in innovative solutions, the Sector booked its first order for its new generation of very high speed train – the AGV™ – to be supplied to a private Italian operator along with a maintenance contract. Other orders received included the supply and maintenance of high speed PENDOLINO™ trains in the United Kingdom, as well as regional trains in Germany, with CORADIA™ Continental products.

Numerous turnkey projects based on the Group's CITADIS™ tramway products were booked in the Middle East, a new area of fast growth for Transport, whereas contracts for metros in the USA, for signalling in Brazil and metros in China were also signed during the year.

With orders intake at €5.8 billion for the fiscal year 2008/09, Europe remained the most important region in terms of orders received (72% of the total). The record level of orders achieved proved Alstom's ability to adapt efficiently, through operational excellence and innovation, to all kinds of markets (PENDOLINO™ in the United Kingdom, CORADIA™ Continental in Germany, AGV™ in Italy).

Orders received in North America were €746 million (9% of the total) as compared to €670 million last year. In 2008/09, Alstom re-entered the Mexican metro market by booking a contract to supply electromechanical equipment for the Line 12 of the Mexico City metro.

Orders received in South & Central America were at €324 million (4% of the Sector's total) vs. €247 million last year. Alstom succeeded in selling its URBALIS™ solution in the region, after achievements in China and Turkey. In Brazil, an order was booked to supply a fully automated control system for 3 lines of the São Paulo metro.

In Asia/Pacific, Transport registered orders amounting to €446 million (5% of the Sector's total) after €563 million last year (when Transport had booked two significant orders for metros in China). The exercise of an option for X'TRAPOLIS™ trains for Melbourne metropolitan network (Australia) was the main contract booked during the period.

In Middle East/Africa, booking of new orders more than quadrupled year-on-year to €776 million (10% of the Sector's total orders received) vs. €177 million last year. A contract for a turnkey tramway system for Dubai was signed while tramway orders for Rabat, Oran and Constantine cities confirmed the dynamism of the Alstom's light rail vehicles solutions.

Transport received the following significant orders during 2008/09:

Country	Description
Algeria	Turnkey tramway systems for the cities of Oran and Constantine
Australia	X'TRAPOLIS™ suburban trains (option) for Melbourne
Brazil	Automated system for Lines 1, 2 and 3 of the São Paulo metro system
Chile	Metropolis cars for the Santiago metro system (option) Automatic train control system for Santiago metro Line 1 extension and Line 5 extension
France	Studies, signalling work and supply of signalling equipment for the Eastern branch of the Rhine-Rhone high-speed line
France/Luxemburg	New-generation double-decker TER regional trains (option)
Germany	CORADIA™ Lint™ regional trains CORADIA™ Continental regional trains
Italy	New-generation very high speed train AGV™ for a private Italian operator and maintenance contract
Mexico	Electromechanical equipment for Line 12 of the Mexico City metro system
Morocco	CITADIS™ for the Rabat tramway
Singapore	Track works for the Singapore metro future Downtown Line
Sweden	CORADIA™ Nordic regional trains
United Arab Emirates	Phase 1 of the Al Safooh tram network in Dubai
United Kingdom	PENDOLINO™ high speed tilting trains and a 10-year maintenance contract
United States	Subway cars to New York City (option)

SALES

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

Transport, actual figures

					% Variation 2009/08	
Year ended 31 March (in € million)	**2009**	% of contrib.	2008	% of contrib.	Actual	Organic
Europe	3,961	70%	3,400	62%	17%	18%
North America	755	13%	607	11%	24%	26%
South and Central America	289	5%	302	5%	(4%)	(2%)
Asia/Pacific	416	7%	916	17%	(55%)	(55%)
Middle East/Africa	264	5%	284	5%	(7%)	(7%)
Sales by destination	**5,685**	**100%**	**5,509**	**100%**	**3%**	**5%**

In 2008/09, Transport's sales amounted to €5.7 billion, recording a 3% increase compared to previous fiscal year on an actual basis and 5% on an organic basis.

Europe remained the main contributor (with 70% of the total) at €3,961 million, posting a 17% rise since last year (+18% on an organic basis). Contracts for very high speed TGV [(4)] trains in France, maintenance in the United Kingdom, regional trains in France, Spain and Germany, metros and tramways in France and metros and infrastructure in Turkey were traded.

At €755 million (13% of contribution), sales in North America showed a 24% progression over the period (26% on an organic basis), driven by the execution of a major metro project in New York City, while contracts for the Atlanta and Washington metro networks were nearing completion.

Sales in South and Central America decreased slightly (-4% on actual and -2% on organic bases) at €289 million as progress was made on the delivery of metros for the São Paolo network, while projects in Chile and Venezuela were coming to an end.

(4) TGV is a trademark of the SNCF.

Sales in Asia/Pacific recorded a decrease (55% on both actual and organic bases) over last fiscal year at €416 million. Key contracts in China (intercity and metro projects) reaching final stage of execution explained this downturn.

Sales in Middle East/Africa stood at €264 million (a 7% decrease year on year on both actual and organic bases). The progressive delivery of tramways in Algeria (Algiers), Israel (Jerusalem) and the UAE (Dubai) contributed to this amount of sales, whereas a tramway project in Tunisia was nearing completion.

INCOME FROM OPERATIONS AND OPERATING MARGIN

Transport's income from operations was €408 million, stable versus last year at 7.2% of sales. This demonstrates a solid profitability level whilst the Sector has accelerated investment in the future through R&D and capital expenditures.

To renew its products portfolio and attack new markets, the Sector kept on focusing on project execution as well as on continuing cost reductions through the implementation of its platforming strategy.

Corporate & others

Corporate and others comprise all the units bearing Corporate costs.

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

Corporate & others, actual figures

Year ended 31 March (in € million)	**2009**	2008
Income from operations	(120)	(109)
EBIT	(118)	(148)
Capital Employed	(281)	(128)

Loss from operations reached €(120) million for the fiscal year 2008/09, compared to €(109) million for the previous year, and included €11 million expense related to a third employee stock purchase scheme, implemented in 2008/09.

Operating and financial review

INCOME STATEMENT

Total Group, actual figures

Year ended 31 March (in € million)	2009	2008	% Variation 2009/08 Actual	Organic
Sales	18,739	16,908	11%	10%
Cost of sales	(15,225)	(13,761)	11%	10%
R&D expenditure	(586)	(554)	6%	4%
Selling expenses	(666)	(619)	8%	8%
Administrative expenses	(726)	(679)	7%	4%
Income from operations	**1,536**	**1,295**	**19%**	**18%**
Operating margin	8.2%	7.7%		

Sales

For the fiscal year 2008/09, sales were at €18.7 billion, compared to €16.9 billion for the previous year, representing an increase of 11% on an actual basis and 10% on an organic basis.

The three Sectors contributed to this increase in sales with Power Systems sales amounting to €9.2 billion, materialising a 19% increase in 2008/09 (16% on an organic basis), whereas Power Service recorded a 6% sales growth (8% on an organic basis) at €3.8 billion. Transport sales for 2008/09 were up by 3% at €5.7 billion for the fiscal year 2008/09 (5% on an organic basis).

Research and development expenditures

Research and development expenditures (gross costs) amounted to €621 million in 2008/09.

Including the impact of capitalisation and amortisation of development costs, R&D expenditures amounted to €586 million compared to €554 million in 2007/08. Main programmes include, for Power Systems, the development of advanced CO_2 capture technologies and the upgrade of steam and gas turbine technologies, and, for Transport, the improvement of technologies across the whole range of activities with a focus upon very high speed trains (AGV™) and signalling.

Selling and administrative expenses

Representing 7.4% of the Group's sales, selling and administrative expenses amounted to €1,392 million for the year ended 31 March 2009, compared to €1,298 million for the previous year. Selling expenses grew by 8%, to €666 million, as a consequence of a high tendering activity and the strengthening of the Group's commercial networks, with offices set up in markets showing a strong growth potential (China and Russia). Administrative expenses reached €726 million this year (vs. €679 million last year).

Income from operations

Income from operations was €1,536 million for the fiscal year 2008/09 (8.2% of the sales), up 19% compared to the previous year, when income from operations stood at €1,295 million and represented 7.7% of sales. A very high level of activity, a constantly improved quality of orders in hand, as well as a strong focus on project execution and costs supported this positive trend.

Total Group, actual figures

Year ended 31 March (in € million)	2009	2008	% Variation 2009/08
Income from operations	**1,536**	**1,295**	**19%**
Restructuring costs	(46)	(35)	31%
Other income (expense)	(47)	(39)	21%
Earnings Before Interest and Taxes	**1,443**	**1,221**	**18%**
Financial income (expense)	21	(69)	(130%)
Income tax charge	(373)	(291)	28%
Share in net income of equity investments	27	1	N/A
Minority interests	(9)	(10)	N/A
Net income – Group share	**1,109**	**852**	**30%**

Earnings before interest and taxes (EBIT)

EBIT was €1,443 million for the fiscal year 2008/09, up by 18% from last year's €1,221 million. This performance results from an increase in income from operations moving from €1,295 million to €1,536 million, in spite of higher restructuring costs related to the optimisation of the Group's industrial base.

Net financial income

Net financial income turned positive during year 2008/09 at €21 million at the end of March 2009, resulting mainly from net interest income at €29 million, a solid net cash position at €2.1 billion and a gross debt reduced to €1.4 billion.

Income tax charge

Explained by the progression of the pre-tax income at €1,464 million (€1,152 million in 2007/08), the income tax charge was €373 million for the fiscal year 2008/09, compared to €291 million a year earlier. It was composed of a €173 million current income tax charge (vs. €194 million in 2007/08) and of a €200 million deferred income tax charge (vs. €97 million in 2007/08).

The effective tax rate was at 25% for the year.

Net income – Group share

Net income (Group share) amounted to €1,109 million for the year ended at 31 March 2009, a 30% increase compared to €852 million last year, as a result of higher earnings before interest and taxes, and a positive financial income.

BALANCE SHEET

Total Group, actual figures

Year ended 31 March (in € million)	2009	2008	Variation 2009/08
Goodwill	3,886	3,767	119
Intangible assets	1,397	1,322	75
Property, plant and equipment	1,735	1,501	234
Associates and available-for-sale financial assets	66	62	4
Other non-current assets	529	635	(106)
Deferred taxes	1,012	1,070	(58)
Non-current assets	**8,625**	**8,357**	**268**
Working capital assets	12,661	10,703	1,958
Marketable securities and other current financial assets	15	170	(155)
Cash and cash equivalents	2,943	2,115	828
Current assets	**15,619**	**12,988**	**2,631**
Assets	**24,244**	**21,345**	**2,899**

Year ended 31 March (in € million)	2009	2008	Variation 2009/08
Equity (Group share and minorities)	2,884	2,245	639
Provisions (non-current and current)	1,670	1,761	(91)
Accrued pension and other employee benefits	970	818	152
Financial debt (current and non-current)	1,356	1,927	(571)
Deferred taxes	70	3	67
Working capital liabilities (excl. provisions)	17,294	14,591	2,703
Liabilities	**24,244**	**21,345**	**2,899**

Goodwill and intangible assets

Goodwill increased to €3,886 million at the end of March 2009 from €3,767 million at 31 March 2008, as the result of acquisitions completed during the year (mainly Power Service South Africa) as well as subsequent purchase accounting adjustments on Ecotècnia and Wuhan Boiler Company, both acquired last year.

Intangible assets include acquired intangible assets and capitalised development costs. They amounted to €1,397 million at 31 March 2009 (€1,322 million at 31 March 2008). Development costs reached €172 million at the end of fiscal year compared to €124 million a year before. Amortisation of development costs followed the same ascending trend, from €55 million in March 2008 to €77 million at the end of this year.

The amortised costs of acquired technology at the end of fiscal year 2008/09 were €60 million, compared to €62 million at the end of March 2008.

Tangible assets

Tangible assets amounted to €1,735 million at 31 March 2009, compared to €1,501 million at 31 March 2008.

Aiming at strengthening the Group's industrial presence in fast growing markets and improving production capacity, capital expenditures (excluding capitalised development costs) increased by 33% in 2008/09 to €499 million (€374 million in 2007/08). These investments were focused, for Power Sectors, in Asia (boiler manufacturing facility in Wuhan, China), the United States of America (steam turbine facility in Chattanooga) and Eastern Europe (foundry in Elblag, Poland), and for Transport in France, Germany and Italy where they were dedicated to the upgrade and the extension of the current manufacturing base.

Other non-current assets

Other non-current assets amounted to €529 million at the end of March 2009, compared to €635 million at the end of March 2008. Financial non-current assets directly associated to a long-term lease of trains and associated equipment for a London Underground operator in the United Kingdom were €449 million at the end of March 2009 compared to €546 million at the end of March 2008.

Working capital

Working capital (defined as current assets excluding cash and cash equivalents, as well as marketable securities, less current liabilities excluding current financial liabilities and including non-current provisions) at 31 March 2009 was €(6,303) million compared to €(5,649) million at 31 March 2008. This improvement, mainly due to a high level of orders intake during the year, also comes from a sound working capital management.

Deferred tax

Net deferred tax assets reached €942 million at the end of March 2009, compared with €1,067 million a year before, mainly due to the use of deferred tax assets in France.

Current and non-current provisions

The current and non-current provisions were €1,670 million at 31 March 2009, compared to €1,761 million at 31 March 2008.

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

Equity at 31 March 2009 reached €2,884 million (including minority interests) compared with €2,245 million at 31 March 2008. The net increase for the period mainly arises from the following items:
- net income from the fiscal year 2008/09 positive by €1,118 million (Group share and minority interests);
- net negative expense directly recognised in equity of €296 million mainly due to actuarial losses on measurement of employee defined benefit plans;
- distribution of dividends (€233 million in 2008/09).

Financial debt

The gross financial debt was €1,356 million at the end of March 2009, compared to €1,927 million a year earlier, representing a decrease of €571 million. The reimbursement, either at maturity or in anticipation, of €559 million of bonds (in nominal value), explains this drop.

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)	**2009**	2008
Net cash provided by operating activities – before changes in net working capital	1,581	1,195
Changes in net working capital resulting from operating activities	555	897
Net cash provided by operating activities	**2,136**	**2,092**
Net cash used in or provided by investing activities	(657)	(896)
Net cash used in financing activities	(617)	(957)
Net effect of exchange rate	(27)	(33)
Other changes	(7)	2
Change in cash and cash equivalents	**828**	**208**

Net cash provided by operating activities

Net cash provided by operating activities reached €2,136 million for the fiscal year 2008/09, compared to €2,092 million for the fiscal year 2007/08.

Net cash provided by operating activities before changes in net working capital was €1,581 million in 2008/09. It represents the cash generated by the Group's net income after elimination of non-cash items (given that 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 resulting from operating activities improved by €555 million, a progression mainly arising from a €1,318 million increase in Construction Contracts In Progress.

Net cash used in investing activities

Net cash used in investing activities was €657 million for the fiscal year 2008/09, vs. €896 million for the previous fiscal year. Contributing to this amount are the following:

- capital expenditures of €671 million, including capitalised research and development costs for €172 million;
- cash expenditures for acquisition of business of €40 million.

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

Change in net cash used in financing activities was negative at €617 million for the fiscal year 2008/09, compared to the previous year when it stood at €957 million, an improvement by €340 million. This includes the payment of dividends for €233 million, and the repayment of current and non-current borrowings for €548 million.

Net cash position

At 31 March 2009, the Group achieved a record net cash level of €2,051 million, an increase of €1,147 million over the year.

Total Group, actual figures

Year ended 31 March (in € million)	2009	2008
Net cash at the beginning of the period	**904**	**(64)**
Change in cash and cash equivalents	828	208
Change in marketable securities and other current financial assets	(162)	(49)
Change in current and non-current borrowings	548	956
Change in obligations under finance leases	27	38
Net debt of acquired entities at acquisition date	(12)	(210)
Net effect of exchange rate and other	(82)	25
Net cash at the end of the period	**2,051**	**904**

Notes 25, 26, 27, 30, 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 OF NON-GAAP FINANCIAL INDICATORS

This section presents financial indicators used by the Group that are not defined by accounting standard setters.

Free cash flow

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

The most directly comparable financial measure to free cash flow calculated and presented in accordance with IFRS is net cash provided by operating activities and a reconciliation of free cash flow and net cash provided by operating activities is presented below:

Total Group, actual figures

Year ended 31 March (in € million)	2009	2008
Net cash provided by operating activities	**2,136**	**2,092**
Capital expenditures (including capitalised development costs)	(671)	(498)
Proceeds from disposals of tangible and intangible assets	14	41
Free cash flow	**1,479**	**1,635**

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 prepaid pension benefits 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)	2009	2008
Non-current assets	8,625	8,357
- less deferred tax assets	(1,012)	(1,070)
- less non-current assets directly associated to financial debt	(449)	(546)
- less prepaid pension benefits	(4)	(17)
Capital employed – non-current assets (A)	**7,160**	**6,724**
Current assets	15,619	12,988
- less cash & cash equivalents	(2,943)	(2,115)
- less marketable securities and other current financial assets	(15)	(170)
Capital employed – current assets (B)	**12,661**	**10,703**
Current liabilities	19,268	16,468
- less current financial debt	(748)	(619)
- plus non-current provisions	444	503
Capital employed – liabilities (C)	**18,964**	**16,352**
Capital employed (A)+(B)-(C)	**857**	**1,075**

Net cash

Net cash 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)	**2009**	2008
Cash and cash equivalents	2,943	2,115
Marketable securities and other current financial assets	15	170
Financial non-current assets directly associated to financial debt	449	546
less:		
Current financial debt	748	619
Non-current financial debt	608	1,308
Net cash	**2,051**	**904**

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 of variation of exchange rates between the Euro and the foreign currencies. 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 2007/08 (order backlog, orders received, sales and income from operations) are restated taking into account the exchange rates used for 2008/09, as used for preparing the consolidated financial statements;
- in order to reflect the same scope of activity, the same indicators are adjusted both for 2007/08 (restatement of disposals) and for 2008/09 (restatement of acquisitions).

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

Alstom – Organic figures 2008/09

Year ended 31 March (in € million)	2008 Actual figures	2008 Exchange rate	2008 Scope impact	2008 Comparable Figures	2009 Actual figures	2009 Scope Impact	2009 Organic figures	% Var Act. 2009/08	% Var Org. 2009/08
Power Systems	16,039	162	-	16,201	19,385	-	19,385	21%	20%
Power Service	5,900	194	-	6,094	6,779	(88)	6,691	15%	10%
Transport	17,283	(143)	-	17,140	19,506	(7)	19,499	13%	14%
Corporate & others	-	-	-	-	-	-	-	N/A	N/A
Orders backlog	**39,222**	**213**	**-**	**39,435**	**45,670**	**(95)**	**45,575**	**16%**	**16%**
Power Systems	11,569	(285)	-	11,284	11,879	(236)	11,643	3%	3%
Power Service	4,401	(43)	-	4,358	4,587	(7)	4,580	4%	5%
Transport	7,467	(169)	-	7,298	8,114	(6)	8,108	9%	11%
Corporate & others	35	(3)	(32)	-	-	-	-	N/A	N/A
Orders Received	**23,472**	**(500)**	**(32)**	**22,940**	**24,580**	**(249)**	**24,331**	**5%**	**6%**
Power Systems	7,768	(64)	-	7,704	9,239	(321)	8,918	19%	16%
Power Service	3,602	(70)	-	3,532	3,815	(17)	3,798	6%	8%
Transport	5,509	(76)	-	5,433	5,685	(6)	5,679	3%	5%
Corporate & others	29	(3)	(26)	-	-	-	-	N/A	N/A
Sales	**16,908**	**(213)**	**(26)**	**16,669**	**18,739**	**(344)**	**18,395**	**11%**	**10%**
Power Systems	415	5	-	420	600	(4)	596	45%	42%
Power Service	592	11	-	603	648	-	648	9%	7%
Transport	397	(9)	-	388	408	-	408	3%	5%
Corporate & others	(109)	-	(5)	(114)	(120)	-	(120)	N/A	N/A
Income from Operations	**1,295**	**7**	**(5)**	**1,297**	**1,536**	**(4)**	**1,532**	**19%**	**18%**
Power Systems	5.3%			5.5%	6.5%		6.7%		
Power Service	16.4%			17.1%	17.0%		17.1%		
Transport	7.2%			7.1%	7.2%		7.2%		
Corporate & others	N/A			N/A	N/A		N/A		
Operating margin	**7.7%**			**7.8%**	**8.2%**		**8.3%**		
Sales	16,908	(213)	(26)	16,669	18,739	(344)	18,395	11%	10%
Cost of sales	(13,761)	211	21	(13,529)	(15,225)	304	(14,921)	11%	10%
R&D expenses	(554)	(3)	-	(557)	(586)	7	(579)	6%	4%
Selling expenses	(619)	5	-	(614)	(666)	5	(661)	8%	8%
Administrative expenses	(679)	7	-	(672)	(726)	24	(702)	7%	4%
Income from Operations	**1,295**	**7**	**(5)**	**1,297**	**1,536**	**(4)**	**1,532**	**19%**	**18%**

REPORT OF THE INDEPENDENT AUDITORS ON THE PROFIT FORECASTS

This is a free translation into English of the Independent Auditor's 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.

Year ended 31 March 2009

To the Chairman of the Board,

In our capacity as Independent Auditors of Alstom ("the Company") and in accordance with EU Regulation No. 809/2004, we hereby report on the profit forecasts for the Company, which are included in Chapter 1 of its "Document de Référence" dated 26 May 2009.

In accordance with the requirements of EU Regulation No. 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 13.2 of EU Regulation No. 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 performance 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 2009.

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, 26 May 2009

The Independent Auditors

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

2 FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements

Year ended 31 March (in € million)	Note	2009	2008	2007
Sales	**(5)**	**18,739**	**16,908**	**14,208**
Of which products		*13,787*	*12,433*	*10,225*
Of which services		*4,952*	*4,475*	*3,983*
Cost of sales		(15,225)	(13,761)	(11,586)
Research and development expenditure	(6)	(586)	(554)	(456)
Selling expenses		(666)	(619)	(567)
Administrative expenses		(726)	(679)	(642)
Income from operations	**(5)**	**1,536**	**1,295**	**957**
Other income	(7)	44	26	18
Other expenses	(7)	(137)	(100)	(149)
Earnings before interest and taxes	**(5)**	**1,443**	**1,221**	**826**
Financial income	(8)	122	115	101
Financial expense	(8)	(101)	(184)	(212)
Pre-tax income		**1,464**	**1,152**	**715**
Income tax charge	(9)	(373)	(291)	(145)
Share in net income of equity investments		27	1	-
Net profit from continuing operations		**1,118**	**862**	**570**
Net loss from discontinued operations	**(10)**	**-**	**-**	**(32)**
Net profit		**1,118**	**862**	**538**
Attributable to:				
- Equity holders of the parent	(22)	1,109	852	547
- Minority interests	(22)	9	10	(9)

Year ended 31 March (in € million)	Note	2009	2008	2007
Earnings per share (in €)				
From continuing and discontinued operations				
- Basic earnings per share	(11)	3.87	3.01	1.94
- Diluted earnings per share	(11)	3.81	2.95	1.90
From continuing operations				
- Basic earnings per share	(11)	3.87	3.01	2.05
- Diluted earnings per share	(11)	3.81	2.95	2.01
From discontinued operations				
- Basic earnings per share	(11)	-	-	(0.12)
- Diluted earnings per share	(11)	-	-	(0.11)

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

Consolidated balance sheets

At 31 March (in € million)	Note	2009	2008	2007
Assets				
Goodwill	(12)	3,886	3,767	3,510
Intangible assets	(12)	1,397	1,322	1,191
Property, plant and equipment	(13)	1,735	1,501	1,370
Associates and available-for-sale financial assets	(14)	66	62	34
Other non-current assets	(15)	529	635	812
Deferred taxes	(9)	1,012	1,070	1,307
Total non-current assets		**8,625**	**8,357**	**8,224**
Inventories	(16)	2,876	2,316	1,770
Construction contracts in progress, assets	(17)	3,139	2,807	2,858
Trade receivables	(18)	3,873	3,538	2,886
Other current assets related to operating activities	(19)	2,773	2,042	1,494
Marketable securities and other current financial assets	(20)	15	170	197
Cash and cash equivalents	(27)	2,943	2,115	1,907
Total current assets		**15,619**	**12,988**	**11,112**
Total assets		**24,244**	**21,345**	**19,336**

At 31 March (in € million)	Note	2009	2008	2007
Equity and liabilities				
Equity attributable to the equity holders of the parent	(22)	2,852	2,210	1,333
Minority interests	(22)	32	35	42
Total equity	**(22)**	**2,884**	**2,245**	**1,375**
Non-current provisions	(24)	444	503	549
Accrued pension and other employee benefits	(25)	970	818	999
Non-current borrowings	(26)	65	664	1,922
Non-current obligations under finance leases	(26)	543	644	775
Deferred taxes	(9)	70	3	50
Total non-current liabilities		**2,092**	**2,632**	**4,295**
Current provisions	(24)	1,226	1,258	1,512
Current borrowings	(26)	706	576	85
Current obligations under finance leases	(26)	42	43	40
Construction contracts in progress, liabilities	(17)	10,581	8,931	7,239
Trade payables		3,866	3,132	2,976
Other current liabilities	(28)	2,847	2,528	1,814
Total current liabilities		**19,268**	**16,468**	**13,666**
Total equity and liabilities		**24,244**	**21,345**	**19,336**

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

Consolidated statements of cash flows

Year ended 31 March (in € million)	Note	2009	2008	2007
Net profit		**1,118**	**862**	**570**
Depreciation, amortisation and expense arising from share-based payments		439	385	352
Cash flow adjustment in respect of post-employment and other long-term defined employee benefits		(156)	(114)	(391)
Net (gains) losses on disposal of non-current assets and investments		4	(34)	57
Share in net income of associates (net of dividends received)		(24)	(1)	-
Deferred taxes charged to income statement	(9)	200	97	(23)
Net cash provided by operating activities – before changes in working capital		**1,581**	**1,195**	**565**
Changes in working capital	**(21)**	**555**	**897**	**524**
Net cash provided by operating activities		**2,136**	**2,092**	**1,089**
Proceeds from disposal of tangible and intangible assets		14	41	17
Capital expenditure	(5)	(671)	(498)	(395)
Decrease in other non-current assets		4	38	727
Acquisitions of businesses, net of cash acquired		(40)	(425)	(232)
Disposals of businesses, net of net cash sold		36	(52)	1
Net cash used in or provided by investing activities		**(657)**	**(896)**	**118**
Capital increase		29	100	-
Changes in current and non-current borrowings		(548)	(956)	(377)
Changes in obligations under finance leases		(27)	(38)	(38)
Changes in marketable securities and other current financial assets		162	54	(175)
Dividends paid including payments to minorities		(233)	(117)	(6)
Net cash used in financing activities		**(617)**	**(957)**	**(596)**
Transfer of cash and cash equivalents from assets held for sale		-	-	29
Net effect of exchange rate variations		(27)	(33)	(30)
Other changes		(7)	2	(4)
Changes in cash and cash equivalents		**828**	**208**	**606**
Cash and cash equivalents at the beginning of the period		**2,115**	**1,907**	**1,301**
Cash and cash equivalents at the end of the period		**2,943**	**2,115**	**1,907**
Cash paid for income taxes		(192)	(140)	(170)
Cash received or paid for net interest		22	(58)	(87)

Year ended 31 March (in € million)	Note	2009	2008	2007
Net cash/net debt variation analysis*				
Changes in cash and cash equivalents		828	208	606
Changes in marketable securities and other current financial assets		(162)	(49)	175
Changes in current and non-current borrowings		548	956	335
Changes in obligations under finance leases		27	38	38
Net debt of acquired entities at acquisition date		(12)	(210)	-
Net effect of exchange rate and other		(82)	25	30
Decrease in net debt		-	64	1,184
Increase in net cash		1,147	904	-
Net debt at the beginning of the period		**-**	**(64)**	**(1,248)**
Net debt at the end of the period		**-**	**-**	**(64)**
Net cash at the beginning of the period		**904**	**-**	**-**
Net cash at the end of the period		**2,051**	**904**	**-**

* 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).

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

Consolidated statements of recognised income and expense

Year ended 31 March (in € million)	2009	2008	2007
Net profit recognised in income statements	**1,118**	**862**	**538**
Net gains on cash flow hedges (see Note 27.F)	25	-	-
Currency translation adjustments	(14)	(34)	(3)
Actuarial gains (losses) (see Note 25)	(319)	30	51
Deferred taxes (see Note 9)	12	6	(5)
Income and expense directly recognised in equity	**(296)**	**2**	**43**
Total recognised income and expense for the period (see Note 22)	**822**	**864**	**581**
Attributable to:			
- Equity holders of the parent	811	857	592
- Minority interests	11	7	(11)

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

Notes to the consolidated financial statements

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.

On 23 March 2009, the Chief Executive Officer has decided to reorganise the Group by merging into a single Sector all the activities related to power generation currently managed by two Sectors, Power Systems and Power Service. The reorganisation will be implemented after the closing date.

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 2009 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 2008;
- using the same accounting policies and measurement methods as at 31 March 2008.

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 4 May 2009.

A. 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.

B. STANDARDS AND INTERPRETATIONS BECOMING EFFECTIVE FOR THE PREPARATION OF YEAR-END CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2009

- IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" has no impact.
- The Group is not affected by the enforcement of the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets".

C. STANDARDS AND INTERPRETATIONS PUBLISHED BUT BECOMING EFFECTIVE AFTER THE PUBLICATION OF YEAR-END CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2009

The Group has not opted for an early application in the consolidated financial statements at 31 March 2009 of the following standards and interpretations:

- standards and interpretations already endorsed by the European Union which will become effective for the preparation of the Group's consolidated financial statements for the annual period beginning 1 April 2009:
  - revised IAS 1 "Presentation of Financial Statements",
  - revised IAS 23 "Borrowing Costs",
  - amendments to IAS 32 relating to puttable instruments and obligations arising on liquidation,
  - amendment to IFRS 2 relating to vesting conditions and cancellations of share-based payments,
  - IFRS 8 "Operating Segments",
  - IFRIC 12 "Service Concession Arrangements",
  - IFRIC 13 "Customer Loyalty Programmes", and
  - all amendments resulting from May 2008 annual improvements to IFRSs;
- standards and interpretations which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the annual period beginning 1 April 2009:
  - amendment to IFRS 7 improving disclosures about financial instruments,
  - amendments to IAS 39 and IFRIC 9 relating to accounting treatment of embedded derivatives when reclassifying financial instruments,
  - IFRIC 15 "Agreements for the Construction of Real Estate",
  - IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", and
  - IFRIC 18 "Transfer of assets from customers";

- standards and interpretation which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the annual period beginning 1 April 2010:
  - revised IFRS 3 "Business Combinations" and resulting amendments to IAS 27 "Consolidated and separate Financial statements", IAS 28 "Interests in Associates" and IAS 31 "Interests in Joint Ventures",
  - amendment to IAS 39 relating to eligible hedged items,
  - amendment to IFRS 5 "Non current assets held for sale and discontinued operations" providing guidance on implementing the standard in case of partial disposal sale plan of a subsidiary resulting in loss of control; and
  - IFRIC 17 "Distributions of non cash assets to owners".

The Group is currently assessing the potential impacts of these new requirements.

IFRS 8 "Operating segments" will replace IAS 14 "Segment reporting" and requires entities to determine its reportable segments adopting an approach based on internal information used by the management whereas IAS 14 is based on segment risks and profitability. IFRS 8 will be applied after due consideration of the reorganisation being implemented in the Power activities in April 2009.

The amendment to IFRS 5 will not have any impact, given that the accounting policy already applied by the Group in case of partial disposal, particularly at the time of the disposal of the Marine Sector, wholly complies with the requirements brought by the amendment.

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 their 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 and 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 income and contingent assets and liabilities at the closing date. Management reviews estimates on an ongoing basis using information currently available. 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 based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cost 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. 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 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.

Valuation of deferred tax assets

Management judgment is required to determine the extent to which deferred tax assets can be recognised. Future sources of taxable income and the effects of the Group global income tax strategies are taken into account in making this determination. This assessment is conducted through a detailed review of deferred tax assets by jurisdiction and takes into account past, current and future performance deriving from the existing contracts in the order book, the budget and the three-year plan, and the length of carry back, carry forwards and expiry periods of net operating losses.

Measurement of post-employment and other long-term defined 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 in equity and prepaid and accrued benefits.

Valuation of assets

The discounted cash flow model used to determine the fair value of the groups of cash generating units to which goodwill is allocated includes a number of inputs including estimates of future cash flows, discount rates and other variables, and then requires significant judgment.

Impairment tests performed on intangible and tangible assets are also based on 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, including work in progress, are measured at the lower of cost or net realisable value. Write-down of inventories are calculated based on an analysis of foreseeable changes in demand, technology or market conditions in order to determine obsolete or excess inventories. 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.

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 weighting 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 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 revenue for the period is the excess of revenue measured according to the percentage of completion over the revenue recognised in prior periods.

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

Income 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 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 EXPENSE

Financial income and expense include:

- interest income representing the remuneration of the cash position;
- interest expense related to the financial debt (financial debt consists of bonds, the debt component of compound instruments, other borrowings and lease-financing liabilities);
- other expenses paid to financial institutions for financing operations;
- 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 associated to financing transactions;
- other income or expense from cash and cash equivalents and marketable securities.

G. TRANSLATION OF FINANCIAL STATEMENTS DENOMINATED IN CURRENCIES OTHER THAN EURO

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, some reporting entities, mainly Power activities in Switzerland, may have a functional currency different from local currency when that other currency is used for the entity’s main transactions and faithfully reflects its economic environment.

Assets and liabilities of entities whose functional currency is other than the euro are translated into euro 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 transferred to the consolidated income statement at the time of the disposal of the related entity.

Goodwill and fair value adjustments arising from 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, assets to be received and liabilities to be 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 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 period 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 concerning fair value and estimates is directly recognised in the income statement.

Goodwill is not amortised but tested for impairment at least annually at closing date.

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

Development costs are capitalised if and only if the project they relate to meets the following criteria:

- 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 loss. 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. Components 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 repayment of 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 recognised on a straight-line basis over the lease term.

L. IMPAIRMENT OF GOODWILL, TANGIBLE AND INTANGIBLE ASSETS

Goodwill and intangible assets not yet available for use are tested for impairment at least annually or when there are indicators that they may be impaired. Other non financial assets are tested for impairment only if there are indicators of impairment.

The impairment test methodology is based on a comparison between the recoverable amount of an asset and its net carrying value. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. If an asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined for a cash-generating unit.

For internal management purposes, goodwill acquired in a business combination is monitored at the level of the Sectors as defined in Note 5: therefore goodwill is tested for impairment at the level of the group of cash-generating units constituting each Sector.

The recoverable amount is the higher of fair value less costs to sell and value in use. The valuation performed is based upon the Group's internal three-year business plan. 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 the discounted terminal residual value. Discount rates are determined using the weighted-average cost of capital of each Sector.

If the recoverable amount of an asset or a cash-generating unit 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 the case of goodwill allocated to a group of CGUs, the impairment loss is allocated first to reduce the carrying amount of goodwill and then to the other assets on a pro-rata basis of the carrying amount of each asset.

Impairment losses recognised in respect of goodwill cannot be reversed. The impairment losses recognized in respect of assets or cash-generating units may be reversed in a later period and recognized immediately in the income statement. The carrying amount is increased to the revised estimate of recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized in prior years.

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. They are initially measured at their fair value, plus directly attributable transaction costs and subsequently re-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. Unlike impairment losses recognised in respect of investments in a debt instrument, impairment losses recognised in respect of investments in equity instruments cannot be reversed.

When the fair value cannot be determined reliably, investments in non consolidated companies 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. They are 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 may be reversed through profit and loss in subsequent periods.

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. Changes in fair value are 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 approximates 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 includes 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 change 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 for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future. 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 bases. 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 net income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is classified 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-mentioned 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 related 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. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Certain financial instruments (such as bonds reimbursable with shares) include both a financial debt component and a shareholders' equity component. These 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 the liability component from the fair value of the instrument as a whole.

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 approximates the nominal value. They are subsequently re-measured at amortised cost.

S. INTEREST RATE DERIVATIVES

The Group may enter into hedges for the purpose 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 hedge accounting and cash flow hedge accounting are 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 the transition provisions of 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 grant date (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 rendered 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 price compared to that of the current market value. In that case, the Group records an expense based on the discount given and its estimate of the shares expected to vest.

U. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

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

The Group's health care plans are generally contributory with participants' contributions adjusted annually.

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 (for example, the expected turnover, the expected future salary increase and the expected mortality).

Most defined benefit pension liabilities are funded through pension funds legally distinct from the entities constituting the Group. 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 directly paid by the employer as they become due. Post-employment medical benefit 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 is included in the income from operations. The amortisation of unrecognised prior service cost/profit and specific events impacts (e.g. curtailments) are recognised in other expenses. Interest cost and expected return on assets are included in financial income (expenses).

The Group also participates in multi-employer defined benefit plans, mainly in the United States and Canada. 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. OFF BALANCE SHEET COMMITMENTS

Commitments arising from execution of operations controlled by the Group

In the ordinary course of business, the Group is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations). Obligations may also arise from leases and regulations in respect of tax, custom duties, environment, health and safety. These obligations may or may not be guaranteed by bonds issued by banks or insurance companies.

As the Group is in a position to control the execution of these obligations, a liability only arises if an obligating event (such as a dispute or a late completion) has occurred and makes it likely that an outflow of resources will occur.

When the liability is considered as only possible but not probable or, when probable, cannot be reliably measured, it is disclosed as a contingent liability.

When the liability is considered as probable and can be reliably measured, the impact on the financial statements is the following:
- if the additional liability is directly related to the execution of a customer contract in progress, the estimated gross margin at completion of the contract is reassessed; the cumulated margin recognised to date based on the percentage of completion and the accrual for future contract loss, if any, are adjusted accordingly;
- if the additional liability is not directly related to a contract in progress, a liability is immediately recognised on the balance sheet.

The contractual obligations of subcontractors towards the Group are of the same nature as those of the Group towards its customers. They may be secured by the same type of guarantees as those provided to the Group's customers.

No contingent asset is disclosed when the likelihood of the obligation of the third party remains remote or possible. A contingent asset is disclosed only when the obligation becomes probable.

Any additional income resulting from a third party obligation is taken into account only when it becomes virtually certain.

Commitments arising from execution of operations not wholly within the control of the Group

Obligations towards third parties may arise from ongoing legal proceedings, credit guarantees covering the financial obligations of third parties in cases where the Group is the vendor, and indemnification guarantees issued in connection with disposals of business entities.

In case of legal proceedings, a contingent liability is disclosed when the liability is considered as only possible but not probable, or, when probable, cannot be reliably measured. In case of commitments arising from guarantees issued, contingent liabilities are disclosed as soon as guarantees have been delivered and as long as they have not matured.

A provision is recorded if the obligation is considered as probable and can be reliably measured.

Contingent assets arising from legal proceedings or guarantees delivered by third parties are only disclosed when they become probable.

W. 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 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.

X. 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).

Y. 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.

Z. EXCHANGE RATES USED FOR THE TRANSLATION OF MAIN CURRENCIES

	Year ended 31 March 2009		Year ended 31 March 2008		Year ended 31 March 2007	
€ for 1 monetary unit	Average	Closing	Average	Closing	Average	Closing
British pound	1.1991	1.0743	1.4175	1.2566	1.4745	1.4710
Swiss franc	0.6404	0.6599	0.6102	0.6354	0.6290	0.6154
US dollar	0.7032	0.7514	0.7063	0.6324	0.7747	0.7508
Brazilian real	0.3601	0.3250	0.3810	0.3629	0.3606	0.3682
Indian rupee	0.0154	0.0148	0.0176	0.0158	0.0171	0.0174
Chinese yuan	0.1023	0.1099	0.0947	0.0902	0.0981	0.0973

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 2009, 31 March 2008 and 31 March 2007 are the following:

YEAR ENDED 31 MARCH 2009

No significant change in the scope of consolidated companies has to be reported for the year ended 31 March 2009.

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 amounted to €294 million.
- On 11 July 2007, in accordance with Chinese stock market regulations, the Group launched a general offer on Wuhan Boiler 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.

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-No_x 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 4.4 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.
- The Marine Sector has been excluded from consolidation, starting from 31 May 2006, date of finalisation of the sale to the Aker Yards Group of 75% of Alstom interests in the Sector. The sale took place through the creation of a new company, Aker Yards France, comprising the shipyards in Saint-Nazaire and Lorient, 75% of which were owned by the Aker Yards Group and 25% by Alstom. In November 2008, a capital increase resulted in the French State acquiring a 33% share in the former Aker Yards France, now STX France Cruise, and diluted Alstom from 25% to 17%. The remaining 17% stake held by Alstom in STX France Cruise will be sold to STX Europe in 2010 through a put and call agreement at a price depending on the financial performance and up to €125 million. This stake has been reported as available-for-sale financial asset since the Group has discontinued its activities in the Marine Sector.

NOTE 5. SECTOR AND GEOGRAPHICAL DATA

A. SECTOR DATA

Throughout the financial year ended 31 March 2009, the Group has been managed through Sectors of activity subject to distinct risks and returns and has determined its reportable segments accordingly.

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 provides 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 2009

(in € million)	Power Systems	Power Service	Total Power	Transport	Corporate & others (1)	Eliminations	Total
Sales	9,563	4,014	13,577	5,685	-	(523)	18,739
Inter-sector eliminations	(324)	(199)	(523)	-	-	523	-
Total sales	**9,239**	**3,815**	**13,054**	**5,685**	**-**	**-**	**18,739**
Income (loss) from operations	**600**	**648**	**1,248**	**408**	**(120)**	**-**	**1,536**
Earnings (loss) before interest and taxes	**548**	**624**	**1,172**	**389**	**(118)**	**-**	**1,443**
Financial income (expenses)							21
Income tax							(373)
Share in net income of equity investments							27
Net profit							**1,118**
Segment assets (2)	**8,573**	**5,067**	**13,640**	**5,172**	**1,009**	**-**	**19,821**
Deferred taxes (assets)							1,012
Prepaid pension and other long-term employee benefits							4
Financial assets							3,407
Total assets							**24,244**
Segment liabilities (3)	**9,523**	**2,648**	**12,171**	**5,503**	**1,290**	**-**	**18,964**
Deferred taxes (liabilities)							70
Accrued pension and other long-term employee benefits							970
Financial debt							1,356
Total equity							2,884
Total equity and liabilities							**24,244**
Capital employed (4)	**(950)**	**2,419**	**1,469**	**(331)**	**(281)**	**-**	**857**
Capital expenditure	**338**	**69**	**407**	**229**	**35**	**-**	**671**
Depreciation and amortisation in EBIT	**148**	**78**	**226**	**123**	**35**	**-**	**384**

(1) Corporate & others includes all units bearing Corporate costs.

(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 long-term 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 2008

(in € million)	Power Systems	Power Service	Total Power	Transport	Corporate & others (1)	Eliminations	Total
Sales	8,082	3,803	11,885	5,512	29	(518)	16,908
Inter-sector eliminations	(314)	(201)	(515)	(3)	-	518	-
Total sales	**7,768**	**3,602**	**11,370**	**5,509**	**29**	**-**	**16,908**
Income (loss) from operations	**415**	**592**	**1,007**	**397**	**(109)**	**-**	**1,295**
Earnings (loss) before interest and taxes	**408**	**593**	**1,001**	**368**	**(148)**	**-**	**1,221**
Financial income (expenses)							(69)
Income tax							(291)
Share in net income of equity investments							1
Net profit							**862**
Segment assets (2)	**7,139**	**4,749**	**11,888**	**4,940**	**599**	**-**	**17,427**
Deferred taxes (assets)							1,070
Prepaid pension and other long-term employee benefits							17
Financial assets							2,831
Total assets							**21,345**
Segment liabilities (3)	**8,076**	**2,525**	**10,601**	**5,024**	**727**	**-**	**16,352**
Deferred taxes (liabilities)							3
Accrued pension and other long-term employee benefits							818
Financial debt							1,927
Total equity							2,245
Total equity and liabilities							**21,345**
Capital employed (4)	**(937)**	**2,224**	**1,287**	**(84)**	**(128)**	**-**	**1,075**
Capital expenditure	**226**	**70**	**296**	**171**	**31**	**-**	**498**
Depreciation and amortisation in EBIT	**126**	**73**	**199**	**101**	**41**	**-**	**341**

(1 Corporate & others includes all units bearing Corporate costs 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 long-term 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	Total Power	Transport	Corporate & others (1)	Eliminations	Total
Sales	5,975	3,386	9,361	5,288	49	(490)	14,208
Inter-sector eliminations	(302)	(188)	(490)	-	-	490	-
Total sales	**5,673**	**3,198**	**8,871**	**5,288**	**49**	**-**	**14,208**
Income from operations	**201**	**510**	**711**	**350**	**(104)**	**-**	**957**
Earnings (loss) before interest and taxes	**194**	**504**	**698**	**293**	**(165)**	**-**	**826**
Financial income (expenses)							(111)
Income tax							(145)
Share in net income of equity investments							-
Net profit from continuing operations							**570**
Net loss from discontinued operations							**(32)**
Net profit							**538**
Segment assets (2)	**5,386**	**4,359**	**9,745**	**5,079**	**436**	**-**	**15,260**
Deferred taxes (assets)							1,307
Prepaid pension and other long-term employee benefits							11
Financial assets							2,758
Total assets							**19,336**
Segment liabilities (3)	**6,034**	**2,253**	**8,287**	**5,119**	**684**	**-**	**14,090**
Deferred taxes (liabilities)							50
Accrued pension and other long-term employee benefits							999
Financial debt							2,822
Total equity							1,375
Total equity and liabilities							**19,336**
Capital employed (4)	**(648)**	**2,106**	**1,458**	**(40)**	**(248)**	**-**	**1,170**
Capital expenditure	**124**	**65**	**189**	**157**	**49**	**-**	**395**
Depreciation and amortisation in EBIT	**113**	**64**	**177**	**123**	**47**	**-**	**347**

(1) Corporate & others includes all units bearing Corporate costs 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 long-term 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.

B. GEOGRAPHICAL DATA

Sales by country of destination and capital expenditure by country:

Year ended 31 March 2009

(in € million)	Sales by country of destination	Capital expenditure	
		Tangible	Intangible
Euro zone (1)	6,594	163	118
Rest of Europe	3,111	115	75
North America	2,943	86	1
South & Central America	1,088	8	-
Asia/Pacific	2,557	82	20
Middle East/Africa	2,446	3	-
Total Group	**18,739**	**457**	**214**

Total capital expenditure amounts to €671 million for the year ended 31 March 2009. It includes €172 million of development costs (see Note 6).

The major ongoing projects include the construction of new facilities in Chattanooga (United States of America) and in Wuhan (China), the extension of a foundry in Elblag (Poland) and the upgrade and expansion of the rolling stock European manufacturing base in the Transport Sector.

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. It includes €124 million of development costs (see Note 6).

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. It includes €115 million of development costs (see Note 6).

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

NOTE 6. RESEARCH AND DEVELOPMENT EXPENDITURE

Year ended 31 March (in € million)	2009	2008	2007
Research and development expenditure	(586)	(554)	(456)
of which			
- Capitalisation of developments costs (see Note 12.B)	(172)	(124)	(115)
- Amortisation of development costs (see Note 12.B)	77	55	72
- Amortisation of acquired technology (see Note 12.B)	60	62	59
Research and development expenditure before capitalisation and amortisation	**(621)**	**(561)**	**(440)**

Capitalisation of development costs relates mainly to the new generation of very high speed train – AGV[TM] – and the new tramway prototype for the Transport Sector and to CO_2 capture programme and gas/steam turbines development for the Power Systems Sector.

NOTE 7. OTHER INCOME AND OTHER EXPENSES

Year ended 31 March (in € million)	2009	2008	2007
Capital gains on disposal of businesses (1)	35	26	11
Other	9	-	7
Other income	**44**	**26**	**18**
Capital losses on disposal of businesses (1)	(80)	(39)	(76)
Restructuring costs	(46)	(35)	(68)
Other	(11)	(26)	(5)
Other expenses	**(137)**	**(100)**	**(149)**

(1) In the year ended 31 March 2009, capital gains originate from the disposal of non-consolidated investments in South Africa and capital losses relate mainly to adjustments on the disposal of the former Marine Sector.
In the year ended 31 March 2008, capital gains and losses were respectively related to the 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 former T&D business (see Note 30).

NOTE 8. FINANCIAL INCOME (EXPENSE)

Year ended 31 March (in € million)	2009	2008	2007
Interest income	107	96	85
Pension and other employee benefit income, net (see Note 25)	5	12	-
Exchange gain, net	4	-	-
Other financial income	6	7	16
Financial income	**122**	**115**	**101**
Interest expense	(78)	(149)	(164)
Pension and other employee benefit expense, net (see Note 25)	-	-	(8)
Exchange losse, net	-	(10)	(14)
Other financial expenses	(23)	(25)	(26)
Financial expense	**(101)**	**(184)**	**(212)**
Financial income (expense)	**21**	**(69)**	**(111)**
Out of which			
- financial income (expense) arising from financial instruments (see Note 27)	16	(81)	(103)

Interest income of €107 million represents the remuneration of the Group's cash positions over the period.

Interest expense of €(78) million represents the cost of the financial debt, including €(5) million related to the buy-back and cancellation of bonds during the year ended 31 March 2009, see Note 26 (€(33) million for the year ended 31 March 2008 and €(13) million for the year ended 31 March 2007).

Other financial income (expense) of €(17) million incorporates:

- €(13) million of fees and commitment fees paid on guarantee facilities, syndicated loans and other financing facilities (€(12) million for the year ended 31 March 2008 and €(11) million for the year ended 31 March 2007);
- €4 million of dividends received from non consolidated investments (€4 million for the year ended 31 March 2008 and €2 million for the year ended 31 March 2007).

NOTE 9. TAXATION

A. ANALYSIS OF INCOME TAX CHARGE

The following table summarises the components of income tax charge for the years ended 31 March 2009, 2008 and 2007:

Year ended 31 March (in € million)	**2009**	2008	2007
Current income tax charge	(173)	(194)	(168)
Deferred income tax (charge) credit	(200)	(97)	23
Income tax charge	**(373)**	**(291)**	**(145)**
Effective tax rate	**25%**	**25%**	**21%**

The favourable geographical mix of income before taxes has enabled the Group to retain an effective tax rate for the period ended 31 March 2009 at 25%. Note that this rate will change from one year to another notably based on the following events:

- the geographical mix of income before taxes;
- the Group's ability to recognise new deferred tax assets and to use its tax loss carry forwards;
- the effects of various global income tax strategies; and
- the outcome of income tax audits.

B. EFFECTIVE INCOME TAX RATE

The following table provides a reconciliation from the income tax charge valued at the French statutory rate to the actual income tax charge for the years ended 31 March 2009, 2008, 2007:

Year ended 31 March (in € million)	**2009**	2008	2007
Pre-tax income from continuing operations	**1,464**	**1,152**	**715**
Pre-tax loss from discontinued operations	**-**	**-**	**(32)**
Statutory income tax rate of the parent company	34.43%	34.43%	34.43%
Expected tax charge	**(504)**	**(397)**	**(235)**
Impact of:			
- Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	124	114	62
- Transactions liable for reduced tax rate	-	7	(50)
- Changes in unrecognised deferred tax assets	96	230	90
- Changes in tax rates	(29)	(128)	(6)
- Additional tax expense (withholding tax and IRAP in Italy)	(31)	(22)	(28)
- Permanent differences and other	(29)	(95)	22
Income tax charge	**(373)**	**(291)**	**(145)**
Effective tax rate	**25%**	**25%**	**21%**

C. ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table summarises the significant components of the Group's deferred tax assets and liabilities as of 31 March 2009, 2008:

	At 31 March 2008					**At 31 March 2009**	
(in € million)	Deferred tax assets	Deferred tax liabilities	Change in P&L	Change in equity *	Translation adjustments and other changes	**Deferred tax assets**	**Deferred tax liabilities**
Differences between carrying amount and tax basis of tangible and intangible assets	285	(95)	(51)	-	18	231	(74)
Accruals for employee benefit costs not yet deductible	193	-	(28)	86	2	258	(5)
Provisions and other accruals not yet deductible	474	-	20	-	16	510	-
Differences in recognition of margin on construction contracts	83	(302)	(44)	-	(5)	58	(326)
Tax loss carry forwards	1,336	-	(108)	-	31	1,259	-
Other	106	(162)	(85)	(2)	12	63	(194)
Gross deferred tax assets/(liabilities) before netting	**2,477**	**(559)**	**(296)**	**84**	**74**	**2,379**	**(599)**
Unrecognised deferred tax assets	(851)	-	96	(72)	(11)	(838)	-
Netting	(556)	556	-	-	-	(529)	529
Deferred tax assets/(liabilities)	**1,070**	**(3)**	**(200)**	**12**	**63**	**1,012**	**(70)**
Net deferred tax assets/(liabilities)	**1,067**					**942**	

* Mainly related to actuarial gains and losses directly recognised in equity (see consolidated statement of recognised income and expense).

The Group is satisfied as to the recoverability of its recognised net deferred tax assets at 31 March 2009 (€942 million) on the basis of an extrapolation of the last three-year business plan, as approved by the Board of Directors, which shows a capacity to generate a sufficient level of taxable profits to recover most of its recognised assets related to tax loss carry forwards within the next 5 years.

Deferred tax assets still unrecognised amount to €838 million at 31 March 2009 (€851 million at 31 March 2008). Most of these unrecognised deferred taxes are originated from tax loss carry forwards, out of which €406 million are not subject to expiry at 31 March 2009 (€467 million at 31 March 2008) and remain available for use in the future.

D. CASH TAX

The Group's cash tax amounts to €192 million for the period ended 31 March 2009. The cash tax rate of 13% for the period differs from the Group's effective tax rate of 25% due to a number of variables including, but not limited to:

- income and expense that are recognised in different years for financial reporting purposes than for income tax purposes; or
- use of tax loss carry forwards; or
- differences between income tax charge and current year cash tax payments; or
- refunds or payments that are related to prior years.

NOTE 10. DISCONTINUED OPERATIONS

No operation has been classified as discontinued for the periods ended 31 March 2009 and 31 March 2008.

The operations of the former Marine Sector for the year ended 31 March 2007 had been classified as discontinued operations. Their contribution to the net profit for that period was analysed as follows:

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

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

The cash flow statement of those operations for the same period was the following:

Year ended 31 March (in € million)	2007
Net cash used in operating activities	(90)
Net cash used in investing activities	(196)
Other changes	(2)
Decrease in cash and cash equivalents	**(288)**
Transfer to continuing operations	**(29)**
Net cash at the beginning of the period	**317**
Net cash at the end of the period	**-**

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)	**2009**	2008	2007
Net profit – Equity holders of the parent	1,109	852	547
Financial interests related to bonds reimbursable with shares, net of tax	(1)	-	(2)
Earnings used to calculate basic and diluted earnings per share	**1,108**	**852**	**545**
Earnings used to calculate basic and diluted earnings per share from continuing operations	1,108	852	577
Earnings used to calculate basic and diluted earnings per share from discontinued operations	-	-	(32)

Financial Information 2

B. NUMBER OF SHARES

Year ended 31 March	2009	2008 [(1)]	2007 [(1)]
Weighted average number of ordinary shares used to calculate basic earnings per share	286,787,449	282,297,348	280,857,556
Effect of dilutive instruments other than bonds reimbursables with shares:			
- Stock options and performance shares [(2)]	3,290,001	4,926,962	5,328,800
- Free shares	1,332,599	1,302,672	1,200,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	**291,410,049**	**288,526,982**	**287,386,356**

(1) Basic and diluted number of shares have been restated in order to reflect the 2 for 1 stock split that took place on 7 July 2008.

(2) Stock options used to calculate the diluted earnings per share only relate to plans 7, 8 and 9, plans 6, 10 and 11 being out of the money as at 31 March 2009 (see Note 23).

C. EARNINGS PER SHARE

Year ended 31 March (in €)	2009	2008 [(1)]	2007 [(1)]
From continuing and discontinued operations			
- Basic earnings per share	3.87	3.01	1.94
- Diluted earnings per share	3.81	2.95	1.90
From continuing operations			
- Basic earnings per share	3.87	3.01	2.05
- Diluted earnings per share	3.81	2.95	2.01
From discontinued operations			
- Basic earnings per share	-	-	(0.12)
- Diluted earnings per share	-	-	(0.11)

(1) Basic and diluted EPS have been restated in order to reflect the 2 for 1 stock split that took place on 7 July 2008.

NOTE 12. GOODWILL AND INTANGIBLE ASSETS

A. GOODWILL

(in € million)	Net value at 31 March 2008	Acquisitions and purchase accounting adjustments	Disposals	Translation adjustments and other changes	Net value at 31 March 2009
Power Systems	1,137	54	-	17	1,208
Power Service	2,115	26	-	19	2,160
Transport	515	5	-	(2)	518
Goodwill	**3,767**	**85**	**-**	**34**	**3,886**
of which					
Gross value	3,767	85	-	34	3,886
Impairment	-	-	-	-	-

(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	-	-	-	-	-

The movements of the period ended 31 March 2009 mainly arise from the acquisition of a Power Service company in South Africa and subsequent purchase accounting adjustments on the acquisitions of Ecotècnia and Wuhan Boiler Company. At 31 March 2008, these goodwill were calculated on a preliminary basis.

The movements of the period ended 31 March 2008 arose from:

- the acquisitions of Ecotècnia in Spain (preliminary goodwill of €268 million), Wuhan Boiler Company in China (preliminary goodwill of €68 million) and a Power Service company in Finland; and
- purchase accounting adjustments recorded subsequently on the acquisition of Power Systems Manufacturing LLC (PSM) in March 2007 and resulting in a €83 million reduction in goodwill.

The impairment test at 31 March 2009 supports the Group's opinion that goodwill is not impaired.

Had the assessment of the fair value been made with the same growth rates and discount rates as at 31 March 2008 and 31 March 2007, no impairment loss would have had to be recognised.

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 2009 (in € million)	1,208	2,160	518
Value elected as representative of the recoverable value	fair value	fair value	fair value
Number of years over which cash flow estimates are available	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 2009	**2.0%**	**2.0%**	**2.0%**
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%
After tax discount rate at 31 March 2009 (1)	**10.0%**	**10.0%**	**10.0%**
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%

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

B. INTANGIBLE ASSETS

(in € million)	At 31 March 2008	Additions/disposals/ amortisation	Acquisitions through business combinations	Translation adjustments and other changes	**At 31 March 2009**
Development costs	744	172	-	(9)	907
Acquired technology	1,244	-	-	-	1,244
Other intangible assets	148	24	-	68	240
Gross value	**2,136**	**196**	**-**	**59**	**2,391**
Development costs	(295)	(77)	-	9	(363)
Acquired technology	(448)	(60)	-	-	(508)
Other intangible assets	(71)	(22)	-	(30)	(123)
Accumulated amortisation and impairment	**(814)**	**(159)**	**-**	**(21)**	**(994)**
Development costs	449	95	-	-	544
Acquired technology	796	(60)	-	-	736
Other intangible assets	77	2	-	38	117
Net value	**1,322**	**37**	**-**	**38**	**1,397**

(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**

Technology and licence agreements acquired through the combination with ABB ALSTOM POWER in 1999 and 2000 represent the bulk of the gross amount reported as acquired technology.

Acquisition of technology recorded in the year ended 31 March 2008 arose from the acquisition of Power Systems Manufacturing (€72 million) and Ecotècnia (€16 million).

The technology acquired from ABB ALSTOM POWER is amortised on a straight-line basis over 20 years.

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

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

(in € million)	At 31 March 2008	Acquisitions/ Depreciation/ Impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	**At 31 March 2009**
Land	127	2	(9)	-	1	121
Buildings	1,114	42	(32)	-	37	1,161
Machinery and equipment	2,031	181	(103)	(2)	9	2,116
Constructions in progress	185	226	(2)	-	(67)	342
Tools, furniture, fixtures and other	452	63	(30)	-	(48)	437
Gross value	**3,909**	**514**	**(176)**	**(2)**	**(68)**	**4,177**
Land	(4)	(1)	-	-	-	(5)
Buildings	(533)	(48)	24	-	(9)	(566)
Machinery and equipment	(1,530)	(139)	99	1	22	(1,547)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(341)	(44)	27	-	34	(324)
Accumulated depreciation and impairment	**(2,408)**	**(232)**	**150**	**1**	**47**	**(2,442)**
Land	123	1	(9)	-	1	116
Buildings	581	(6)	(8)	-	28	595
Machinery and equipment	501	42	(4)	(1)	31	569
Constructions in progress	185	226	(2)	-	(67)	342
Tools, furniture, fixtures and other	111	19	(3)	-	(14)	113
Net value	**1,501**	**282**	**(26)**	**(1)**	**(21)**	**1,735**

(in € million)	At 31 March 2007	Acquisitions/ Depreciation/ Impairments	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**

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

At 31 March (in € million)	2009	2008	2007
Land	13	13	13
Buildings	98	107	123
Machinery and equipment	9	14	17
Tools, furniture, fixtures and other	17	15	15
Net value of tangible assets held under finance leases	**137**	**149**	**168**

Commitments to purchase fixed assets amount to €163 million at 31 March 2009. They notably arise from the construction of two new facilities, the first one in the United States of America for the manufacturing of steam turbines and the second one in China for the manufacturing of boilers.

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

A. ASSOCIATES

At 31 March (in € million)	2009	2008	2007	% interest
Shanghai Alstom Transportation Company	14	4	-	40.0%
Cerrey – Babcock & Wilcox de Mexico	13	-	-	25.0%
Alstom Atomenergomash	9	20	-	49.0%
Other	3	2	4	-
Total	**39**	**26**	**4**	**-**

Total assets and revenues of associates are as follows:

(in € million)	Closing date	Total assets at closing date	Total revenues
Shanghai Alstom Transportation Company	31 December	84	81
Cerrey – Babcock & Wilcox de Mexico	31 December	182	162
Alstom Atomenergomash	31 March	39	-

B. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009			2008	2007	2009
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 (2)	3	-	3	8	8	16.00%
Other (3)	39	(23)	16	20	14	-
Total	**50**	**(23)**	**27**	**36**	**30**	

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

(2) The remaining 84% interest in this company are held by a pool of construction companies having direct control over the company.

(3) No other investments net value exceeds €3 million.

NOTE 15. OTHER NON-CURRENT ASSETS

At 31 March (in € million)	2009	2008	2007
Financial non-current assets associated to financial debt (1)	449	546	654
Long-term loans, deposits and other	80	89	158
Other non-current assets	**529**	**635**	**812**

(1) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 26 and 31). They are made up as follows:

- at 31 March 2009, €429 million receivables and €20 million deposit;
- at 31 March 2008, €520 million receivables and €26 million deposit;
- at 31 March 2007, €628 million receivables and €26 million deposit.

NOTE 16. INVENTORIES

At 31 March (in € million)	2009	2008	2007
Raw materials and supplies	1,019	750	663
Work in progress	1,995	1,742	1,291
Finished products	147	123	116
Inventories, gross	**3,161**	**2,615**	**2,070**
Write-down	(285)	(299)	(300)
Inventories	**2,876**	**2,316**	**1,770**

NOTE 17. CONSTRUCTION CONTRACTS IN PROGRESS

At 31 March (in € million)	2009	2008	2007
Construction contracts in progress, assets	3,139	2,807	2,858
Construction contracts in progress, liabilities	(10,581)	(8,931)	(7,239)
Construction contracts in progress	**(7,442)**	**(6,124)**	**(4,381)**

At 31 March (in € million)	2009	2008	2007
Contract costs incurred plus recognised profits less recognised losses to date	46,180	39,681	35,197
Less progress billings	(49,258)	(42,504)	(37,084)
Construction contracts in progress excluding down payments received from customers	**(3,078)**	**(2,823)**	**(1,887)**
Down payments received from customers	(4,364)	(3,301)	(2,494)
Construction contracts in progress	**(7,442)**	**(6,124)**	**(4,381)**

NOTE 18. TRADE RECEIVABLES

(in € million)	Total	No past due on the reporting date	Past due on the reporting date		
			Less than 60 days	Between 60 and 180 days	More than 180 days
Trade receivables at 31 March 2009	**3,873**	**3,025**	**393**	**278**	**177**
- o/w gross	3,952	3,045	396	280	231
- o/w impairment	(79)	(20)	(3)	(2)	(54)
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)

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 fully recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of the related contracts.

NOTE 19. OTHER CURRENT ASSETS RELATED TO OPERATING ACTIVITIES

At 31 March (in € million)	**2009**	2008	2007
Down payments made to suppliers	611	433	385
Corporate income tax	67	45	57
Other tax	485	404	409
Prepaid expenses	142	123	85
Other receivables	421	314	308
Derivatives relating to operating activities (see Note 27)	342	414	157
Remeasurement of hedged firm commitments in foreign currency	705	309	93
Other current assets related to operating activities	**2,773**	**2,042**	**1,494**

NOTE 20. MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

At 31 March (in € million)	**2009**	2008	2007
Derivatives related to financing activities	10	7	4
Marketable securities	5	156	175
Held-to-maturity securities	-	7	18
Marketable securities and other current financial assets	**15**	**170**	**197**

NOTE 21. WORKING CAPITAL

Balance sheet positions

At 31 March (in € million)	2009	2008	Variation	2007
Inventories	2,876	2,316	560	1,770
Construction contracts in progress, assets	3,139	2,807	332	2,858
Trade receivables	3,873	3,538	335	2,886
Other current assets related to operating activities	2,773	2,042	731	1,494
Assets	**12,661**	**10,703**	**1,958**	**9,008**
Non-current provisions	444	503	(59)	549
Current provisions	1,226	1,258	(32)	1,512
Construction contracts in progress, liabilities	10,581	8,931	1,650	7,239
Trade payables	3,866	3,132	734	2,976
Other current liabilities	2,847	2,528	319	1,814
Liabilities	**18,964**	**16,352**	**2,612**	**14,090**
Working capital	**(6,303)**	**(5,649)**	**(654)**	**(5,082)**

Analysis of variation of working capital

Year ended 31 March (in € million)	2009	2008
Working capital at the beginning of the period	**(5,649)**	**(5,082)**
Changes in working capital resulting from operating activities *	(555)	(897)
Changes in working capital resulting from investing activities **	(44)	159
Translation adjustments and other changes	(55)	171
Total changes in working capital	**(654)**	**(567)**
Working capital at the end of the period	**(6,303)**	**(5,649)**

* 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.

NOTE 22. EQUITY

When managing capital, the objective of the Group is to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders, bring benefits to its other partners and 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.

Movements in equity for the financial year ended 31 March 2009

(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 2008	**141,602,127**	**1,982**	**427**	**841**	**(1,040)**	**2,210**	**35**	**2,245**
Movements in income and expense directly recognised in equity	-	-	-	-	(298)	(298)	2	(296)
Net income for the period	-	-	-	1,109	-	1,109	9	1,118
Total recognised income and expense	**-**	**-**	**-**	**1,109**	**(298)**	**811**	**11**	**822**
ORA	2,191,845	15	(13)	(2)	-	-	-	-
Change in scope and other	-	-	-	(3)	-	(3)	(7)	(10)
Dividends paid	-	-	-	(226)	-	(226)	(7)	(233)
Split of shares by two	142,163,766	-	-	-	-	-	-	-
Issue of ordinary shares under stock option plans	1,233,173	10	11	-	-	21	-	21
Recognition of equity settled share-based payments	462,792	6	-	33	-	39	-	39
At 31 March 2009	**287,653,703**	**2,013**	**425**	**1,752**	**(1,338)**	**2,852**	**32**	**2,884**

At 31 March 2009, the share capital of ALSTOM amounted to €2,013,575,921 consisting of 287,653,703 ordinary shares with a par value of €7 each (on 7 July 2008, the nominal value of ALSTOM shares was split by two). For the year ended 31 March 2009, the weighted average number of outstanding ordinary shares amounted to 286,787,449 and the weighted average number of ordinary and dilutive shares stood at 291,410,049.

During the year ended 31 March 2009, 34,901,161 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 2,191,845 shares at a par value of €7. The 105,271 bonds reimbursable with shares outstanding at 31 March 2009 represent 6,611 shares to be issued.

The Shareholders' Meeting of ALSTOM held on 24 June 2008 decided to distribute dividends for a total amount of €226 million corresponding to a €1.60 dividend per share (before the two-for-one stock split that took place on 7 July 2008).

Movements in equity for the financial year ended 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**

At 31 March 2008, the share capital of ALSTOM amounted to €1,982,429,778 consisting of 141,602,127 ordinary shares with a 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, which represents a total amount of €111 million (no dividend was distributed in fiscal years ended 31 March 2007 and 31 March 2006).

Movements in equity for the financial year ended 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 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**

During the year ended 31 March 2007, 14,168,947 bonds reimbursable in shares “Obligations 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.

NOTE 23. SHARE-BASED PAYMENTS

A. STOCK OPTIONS, PERFORMANCE SHARES AND STOCK APPRECIATION RIGHTS

Stock option plans and performance shares

	Adjusted exercise price (1)	Exercise period	Adjusted number of options granted (2)	Adjusted number of options exercised since the origin	Adjusted number of options cancelled since the origin	Adjusted number of outstanding options at 31 March 2009 (inc. those that may be subscribed by the present members of the Executive Committee)	Adjusted number of performance shares that may be delivered (inc. to the present members of the Executive Committee) (3)	Adjusted number of performance shares cancelled since the origin	Adjusted number of outstanding performance shares at 31 March 2009 (inc. to the present members of the Executive Committee)
Plans issued of shareholders meeting on 24 July 2001									
Plan No. 3									
Granted on 24 July 2001 for 1,703 beneficiaries	€409.60	24 July 2002 23 July 2009	328,980	-	178,574	150,406 (2,580)	-	-	-
Plan No. 5									
Granted on 8 January 2002 for 1,653 beneficiaries	€162.60	8 Jan. 2003 7 Jan. 2010	333,390	-	180,158	153,232 (4,028)	-	-	-
Plan No. 6									
Granted on 7 January 2003 for 5 beneficiaries	€77.20	7 Jan. 2004 6 Jan. 2011	94,828	5,000	17,102	72,726 (72,726)	-	-	-
Plans issued of shareholders meeting on 9 July 2004									
Plan No. 7									
Granted on 17 September 2004 for 1,007 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	5,566,000	3,965,992	479,000	1,121,008 (139,000)	-	-	-
Plan No. 8									
Granted on 27 September 2005 for 1,030 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	2,803,000	684,050	127,000	1,991,950 (180,000)	-	-	-
Plan No. 9									
Granted on 28 September 2006 for 1,053 beneficiaries	€37.33	28 Sept. 2009 26 Sept. 2016	3,367,500	55,000	203,750	3,108,750 (525,000)	-	-	-
Plans issued of shareholders meeting on 26 June 2007									
Plan No. 10									
Granted on 25 September 2007 for 1,196 beneficiaries	€67.50	25 Sept. 2010 24 Sept. 2017	1,697,200	-	54,000	1,643,200 (298,000)	252,000 (10,000)	9,080 -	242,920 (10,000)
Plan No. 11									
Granted on 23 September 2008 for 1,431 beneficiaries	€66.47	23 Sept. 2011 22 Sept. 2018	754,300	-	11,805	742,495 (197,500)	445,655 (22,000)	9,024 -	436,631 (22,000)

(1) The exercise price 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). Plans No. 3, 5, 6, 7, 8, 9 and 10 have been adjusted in compliance with French law as a result of the completion of operations that impacted the share capital in 2002, 2003, August 2004 and in July 2008. The exercise price at grant date amounted to €1,320 (plan 3), €523.6 (plan 5), €240 (plan 6), €17.2 (plan 7), €35.75 (plan 8), €74.66 (plan 9), €135 (plan 10).

(2) The options initially granted amounted to 105,000 (plans 3 and 5), 30,500 (plan 6), 2,783,000 (plan 7), 1,401,500 (plan 8), 1,683,750 (plan 9) and 848,600 (plan 10).

(3) The performance shares initially granted amounted to 126,000 (plan 10).

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, 10 and 11, granted between 2004 and 2008, become vested after a period of three years. The exercise period then covers seven years for each plan.

On 25 September 2007, the Board of Directors decided to implement a long-term incentive plan ("LTI Plan"). This plan is subject to Group's performance conditions described below and comprised a stock option and stock appreciation right plan (Plan No. 10) and a free attribution of performance shares. The exercise of the conditional stock options and SARs and the final delivery of the free performance shares will be allowed after the vesting/acquisition period.

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 2009/10:

- if the 2009/10 Group's operating margin equal or above 8.5%, 1,697,200 options and 60,200 SARs will be exercisable and 252,000 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 8% (inclusive) and 8.5% (exclusive), 1,357,760 options and 48,160 SARs will be exercisable and 201,600 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 7.5% (inclusive) and 8% (exclusive), 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 below 7.5%, no option nor SAR will be exercisable and no performance share will be delivered.

On 23 September 2008, the Board of Directors decided to implement a new long-term incentive plan ("LTI Plan"). This plan is subject to Group's performance conditions described below and comprises a stock option plan (Plan No. 11) and 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. The conditional options are not exercisable during a three-year period after grant date. 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 performance shares to be delivered will depend on the Group's operating margin for the financial year 2010/11:

- if the 2010/11 Group's operating margin is equal or above 10.0%, 754,300 options will be exercisable and 445,655 performance shares will be delivered;
- if the 2010/11 Group's operating margin is between 9.5% (inclusive) and 10.0% (exclusive), 603,440 options will be exercisable and 356,524 performance shares will be delivered;
- if the 2010/11 Group's operating margin is between 9.0% (inclusive) and 9.5% (exclusive), 301,720 options will be exercisable and 178,262 performance shares will be delivered;
- if the 2010/11 Group's operating margin is below 9.0%, no option will be exercisable and no performance share will be delivered.

Stock appreciation rights ("SARs") plans

	Adjusted exercise price (1)	Vesting date Expiry date	Adjusted number of SARs granted (2)	Adjusted number of SARs exercised since the origin	Adjusted number of SARs cancelled since the origin	Adjusted number of outstanding SARs at 31 March 2009
SARs No. 7						
Granted on 1 December 2004 for 114 beneficiaries	€8.60	17 Sept. 2007 1 April 2010	478,000	369,660	81,668	26,672
SARs No. 8						
Granted on 18 November 2005 for 120 beneficiaries	€22.45	27 Sept. 2008 18 Nov. 2015	234,000	74,900	45,000	114,100
Notional SARs						
Granted on 16 December 2005 for 120 beneficiaries	€17.88	27 Sept. 2008 1 April 2011	232,000	144,968	44,000	43,032
SARs No. 9						
Granted on 28 September 2006 for 134 beneficiaries	€36.05	28 Sept. 2009 28 Sept. 2016	341,250	-	72,500	268,750
SARs No. 10						
Granted on 25 September 2007 for 134 beneficiaries	€73.42	25 Sept. 2010 24 Sept. 2017	60,200	-	3,700	56,500

(1) The exercise price 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).
The exercise price at grant date amounted to €17.2 (plan 7), €44.9 (plan 8), €35.75 (notional plan), €72.1 (plan 9) and €146.85 (plan 10).

(2) The SARS initially granted amounted to 239,000 (plan 7), 117,000 (plan 8), 116,000 (notional plan), 170,625 (plan 9) and 30,100 (plan 10).

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	Weighted average exercise price per share in €	Number of SARs	Weighted average exercise price per share in €
Outstanding at 31 March 2007	**5,973,835**	**60.15**	**-**	**-**	**569,875**	**41.49**
Granted	848,600	135.00	126,000	135.00	30,100	146.85
Exercised	(1,691,362)	18.49	-	-	(166,250)	17.34
Cancelled	(240,231)	189.74	(2,620)	135.00	(26,750)	53.55
Outstanding at 31 March 2008 before split of shares	**4,890,842**	**81.18**	**123,380**	**135.00**	**406,975**	**58.35**
Split of shares	4,890,842	(40.59)	123,380	(67.50)	406,975	(29.17)
Granted	754,300	66.47	445,655	66.47	-	-
Exercised	(1,323,318)	13.19	-	-	(247,028)	18.15
Cancelled	(228,899)	70.03	(12,864)	66.78	(57,868)	32.22
Outstanding at 31 March 2009	**8,983,767**	**46.05**	**679,551**	**66.84**	**509,054**	**34.18**

As at 31 March 2009:
- 8,983,767 stock options are outstanding, of which 3,489,322 are exercisable;
- 679,551 performance shares are outstanding, of which none is yet exercisable;
- 509,054 SARs are outstanding, of which 183,804 are exercisable.

Valuation of stock option plans and performance shares

	Exercise price	End of vesting period	Share price at grant date	Volatility	Risk free interest rate	Average dividend yield	Expense (in € million) for the year ended 31 March	
							2009	2008
Plan No. 7								
Granted on 17 September 2004 with an expected life of 4 years	€8.60	17 Sept. 2007	€8.80	51%	3.0%	0.67%	-	3
Plan No. 8								
Granted on 27 September 2005 with an expected life of 4 years	€17.88	27 Sept. 2008	€18.40	34%	2.5%	1.3%	2	5
Plan No. 9								
Granted on 28 September 2006 with an expected life of 4 years	€37.33	28 Sept. 2009	€36.05	22%	3.5%	1.0%	7	7
Plan No. 10								
Granted on 25 September 2007 with an expected life of 4 years	€67.50	24 Sept. 2010	€73.42	23%	4.2%	1.3%	13	5
Plan No. 11								
Granted on 23 September 2008 with an expected life of 3 years	€66.47	22 Sept. 2011	€65.10	30%	4.1%	1.3%	6	-
Total expense							**28**	**20**

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.

Valuation of stock appreciation rights (SARs) plans

	Exercise price	End of vesting period	Share price at 31 March – 2009 – 2008	Volatility	Risk free interest rate	Average dividend yield	Expense/(income) (in € million) for the year ended 31 March 2009	2008
SARs No. 7								
Granted on 1 December 2004 with an expected life of 4 years	€8.60	17 Sept. 2007	€38.99 €68.66	43%	1.7%	2.99%	(1)	11
SARs No. 8								
Granted on 18 November 2005 with an expected life of 4 years	€22.45	27 Sept. 2008	€38.99 €68.66	43%	1.7%	2.99%	(2)	4
Notional SARs								
Granted on 27 September 2005 with an expected life of 4 years	€17.88	27 Sept. 2008	*	43%	1.8%	2.99%	-	-
SARs No. 9								
Granted on 28 September 2006 with an expected life of 4 years	€36.05	28 Sept. 2009	€38.99 €68.66	43%	1.8%	2.99%	(2)	3
SARs No. 10								
Granted on 25 September 2007 with an expected life of 4 years	€73.42	24 Sept. 2010	€38.99 €68.66	43%	1.9%	2.99%	-	-
Total expense							**(5)**	**18**

* SARs of the Notional plan have been granted at an exercise price of €17.88 and are capped at €22.45.

All SARs granted are measured using a binomial model taking into account the terms and conditions according to which the instruments were granted.

B. SHARE-BASED PAYMENTS AWARDED TO EMPLOYEES

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.

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 cost related to the portion of the attribution to be settled in cash is spread over the vesting period (€9 million income for the year ended 31 March 2009 and €6 million expense for the year ended 31 March 2008).

Alstom sharing 2007

Under this employee share ownership scheme implemented in the financial year ended 31 March 2008, employees of the Group in 19 countries were given the opportunity to become Alstom shareholders on preferential terms.

They were in a position to subscribe to:

- the Alstom Sharing Plus 2007 plan: this plan entitles employees to benefit from the positive performance of Alstom shares (leverage effect) at the end of the mandatory holding period; and
- the Alstom Classic 2007 plan: this plan allowed employees to subscribe to Alstom shares at a lower price than the current market price.

The €17 million expense related to this scheme has been recorded in the income statement for the year ended 31 March 2008.

Alstom sharing 2009

In January 2009, the Group announced a new scheme offered to Group employees in 22 countries and consisting of the following:

- the Two for one 2009 plan based on “buy one share and get one free” concept; and
- the Alstom Classic 2009 plan: this plan allowed employees to subscribe to Alstom shares at a lower price than the current market price.

The €11 million expense relating to this scheme recorded in the income statement for the year ended 31 March 2009 has been assessed on the following basis:

- number of shares to be created: 1,229,928;
- 20-day share price average: €38.54; Subscription price: €30.84; Risk-free interest rate: 2.7%.

NOTE 24. PROVISIONS

(in € million)	At 31 March 2008	Additions	Releases	Applied	Translation adjustments and other	**At 31 March 2009**
Warranties	478	272	(142)	(140)	9	477
Litigations and claims	780	487	(425)	(138)	45	749
Current provisions (1)	**1,258**	**759**	**(567)**	**(278)**	**54**	**1,226**
Tax risks and litigations (2)	46	10	(4)	(7)	26	71
Restructuring (3)	156	39	(25)	(53)	-	117
Other non-current provisions (4)	301	88	(51)	(39)	(43)	256
Non-current provisions	**503**	**137**	**(80)**	**(99)**	**(17)**	**444**
Total provisions	**1,761**	**896**	**(647)**	**(377)**	**37**	**1,670**

(in € million)	At 31 March 2007	Additions	Releases	Applied	Translation adjustments and other	At 31 March 2008
Warranties	469	228	(122)	(98)	1	478
Litigations and claims	1,043	294	(383)	(188)	14	780
Current provisions (1)	**1,512**	**522**	**(505)**	**(286)**	**15**	**1,258**
Tax risks and litigations (2)	47	5	(7)	(6)	7	46
Restructuring (3)	219	53	(44)	(63)	(9)	156
Other non-current provisions (4)	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**

(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) In relation to tax risks, the Group tax filings are subject to audit by tax authorities in most jurisdictions in which the Group operates. These audits may result in assessment of additional taxes that are subsequently resolved with the authorities or potentially through the courts. The Group believes that it has strong arguments against the questions being raised, that it would pursue all legal remedies to avoid an unfavourable outcome and that it has adequately provided for any risk that could result from those proceedings where it is probable that it will pay some amounts.

(3) Relates to the implementation of restructuring plans launched during previous fiscal years mainly in Europe.

(4) Other non-current provisions mainly relate to guarantees delivered in connection with past disposals, employee litigations, commercial disputes and environmental obligations. Environmental provisions amount to €17 million at 31 March 2009 and €20 million at 31 March 2008.

NOTE 25. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

CHANGE IN DEFINED BENEFIT OBLIGATIONS

Movements for the year ended 31 March (in € million)	**2009**	2008	2007
Defined benefit obligations at beginning of year	**(4,110)**	**(4,770)**	**(4,693)**
Service cost	(68)	(69)	(84)
Plan participant contributions	(29)	(26)	(26)
Interest cost	(219)	(220)	(208)
Plan amendments	1	(25)	(12)
Business combinations/disposals	(1)	-	10
Curtailments	-	2	3
Settlements	74	57	-
Actuarial gains (losses) – due to experience	15	(52)	(60)
Actuarial gains (losses) – due to changes in assumptions	293	345	42
Benefits paid	213	228	229
Change in IAS 19 scope	-	12	-
Foreign currency translation	163	408	29
Defined benefit obligations at end of year	**(3,668)**	**(4,110)**	**(4,770)**
Of which:			
Funded schemes	*(3,342)*	*(3,717)*	*(4,343)*
Unfunded schemes	*(326)*	*(393)*	*(427)*

CHANGE IN PLAN ASSETS

Movements for the year ended 31 March (in € million)	**2009**	2008	2007
Fair value of plan assets at beginning of year	**3,360**	**3,859**	**3,276**
Expected return on assets	224	232	200
Actuarial gains (losses) on assets due to experience	*(663)*	*(262)*	*99*
Company contributions	146	110	433
Plan participant contributions	29	26	26
Business combinations/disposals	-	-	3
Settlements	(67)	(51)	-
Benefits paid from plan assets	(148)	(171)	(172)
Change in IAS 19 scope	-	(12)	-
Foreign currency translation	(165)	(371)	(6)
Fair value of plan assets at end of year	**2,716**	**3,360**	**3,859**

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

At 31 March (in € million)	2009	2008	2007
Funded status of the plans	**(952)**	**(750)**	**(911)**
Unrecognised past service gains	(10)	(11)	(24)
Impact of asset ceiling	(4)	(40)	(53)
(Accrued) prepaid benefit cost after asset ceiling	**(966)**	**(801)**	**(988)**
Of which:			
Accrued pension and other employee benefit costs	***(970)***	***(818)***	***(999)***
Prepaid pension and other employee benefit costs	***4***	***17***	***11***

VARIATION OF ACTUARIAL GAINS AND 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)	2009	2008	2007
Opening balance (net loss)	**(1,051)**	**(1,081)**	**(1,132)**
Actuarial gains and losses generated during the period	(355)	26	84
Asset ceiling generated during the period	36	4	(33)
Closing balance (net loss)	**(1,370)**	**(1,051)**	**(1,081)**

COMPONENTS OF PLAN ASSETS

At 31 March (in € million)	2009	%	2008	%	2007	%
Equities	930	34.3	1,267	37.7	1,459	37.8
Bonds	1,412	52.0	1,619	48.2	1,968	51.0
Properties	215	7.9	310	9.2	332	8.6
Others	159	5.8	164	4.9	100	2.6
Total	**2,716**	**100**	**3,360**	**100**	**3,859**	**100**

Plan assets for each individual plan are invested in accordance with statutory regulations, pension plan rules, and decisions of pension fund trustees. At 31 March 2009, plan assets do not include any of the Group's capital stock.

ASSUMPTIONS (WEIGHTED AVERAGE RATES)

At 31 March (in %)	2009	2008	2007
Discount rate	5.74	5.54	4.90
Rate of compensation increase	3.10	3.44	3.18
Expected return on plan assets	6.61	6.44	6.22

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 is based on long-term market expectations taking into account the asset allocation of each fund.

The healthcare trend rate is assumed to be 8.9% in the year ended 31 March 2009 and reduces thereafter to an ultimate rate of 5.0% from 2017 onwards.

Sensitivity analysis shows that a 50-point increase in discount rates would reduce the Group obligations by approximately €242 million. A 50-point decrease in discount rates would increase the Group obligations by approximately €249 million.

ANALYSIS OF POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED BENEFIT EXPENSE

Year ended 31 March (in € million)	2009	2008	2007
Service cost	(68)	(69)	(84)
Defined contributions *	(144)	(121)	(106)
Income from operations	**(212)**	**(190)**	**(190)**
Actuarial gains/losses on other long-term benefits	-	2	-
Amortisation of unrecognised past service gain (cost)	2	(10)	(7)
Curtailments/settlements	7	3	4
Other income (expenses)	**9**	**(5)**	**(3)**
Interest cost	(219)	(220)	(208)
Expected return on plan assets	224	232	200
Financial income (expenses)	**5**	**12**	**(8)**
Total benefit expense	**(198)**	**(183)**	**(201)**

* Including multi-employer contributions accounted for as defined contribution plans.

Total cash spent in the year ended 31 March 2009 for defined benefit and defined contribution plans amounted to €355 million (€292 million for the year-ended 31 March 2008 and €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 2010 is approximately €300 million, of which €150 million of employer contributions to defined benefits plans.

NOTE 26. FINANCIAL DEBT

Carrying amount at 31 March (in € million)	2009	2008	2007
Bonds reimbursable in shares (debt component)	-	1	3
Bonds (1)	273	828	1,677
Other borrowing facilities	261	202	126
Put options and earn-out on acquired entities (2)	209	185	185
Derivatives relating to financing activities	27	19	7
Accrued interests	1	5	9
Borrowings	**771**	**1,240**	**2,007**
Non-current	*65*	*664*	*1,922*
Current	*706*	*576*	*85*
Obligations under finance leases	156	167	187
Other obligations under long-term rental (3)	429	520	628
Obligations under finance leases	**585**	**687**	**815**
Non-current	*543*	*644*	*775*
Current	*42*	*43*	*40*
Total financial debt	**1,356**	**1,927**	**2,822**

(1) The movements in the nominal amount of the bonds in the last two years are as follows:

		Redemption date		
Nominal value (in € million)	Total	28 July 2008	13 March 2009	3 March 2010
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**
Bonds reimbursed at maturity date	(391)	(249)	(142)	-
Bonds bought back and cancelled	(168)	-	(19)	(149)
Outstanding amount at 31 March 2009	**275**	**-**	**-**	**275**
Nominal interest rate	-	Euribor 3M+ 0.85%	Euribor 3M+ 2.20%	6.25%
Effective interest rate as of 31 March 2009	-	-	-	7.16%
Effective interest rate as of 31 March 2008	-	5.20%	6.80%	7.16%

(2) At 31 March 2009, the €209 million liabilities include a €170 million put option granted in connection with the sale of 50% of Hydro activities to Bouygues on 31 October 2006 (€162 million at 31 March 2008 and €153 million at 31 March 2007, see Note 4).

(3) This debt represents liabilities related to lease obligations on trains and associated equipment (see Note 15 and 31).

NOTE 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

A. FINANCIAL INSTRUMENTS REPORTED IN THE FINANCIAL STATEMENTS

The Group's financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Group has loans, trade and other receivables, and cash and cash equivalents that are directly derived from its operations.

The Group is exposed to currency risk, interest rate risk, credit risk and liquidity risk.

The main valuation methods applied are as follows:

- borrowings, when unhedged, are stated at amortised cost, determined by the effective interest rate method. 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 positions at 31 March 2009

At 31 March 2009 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	Carrying amount of items classified as financial instruments [1]: FV P/L	AFS	LRL at amortised cost	DER	Total	Fair value of items classified as financial instruments
Associates and available for sale assets	66	39	-	27	-	-	27	27
Other non-current assets	529	4	-	-	525	-	525	525
Trade receivables	3,873	-	-	-	3,873	-	3,873	3,873
Other current assets related to operating activities	2,773	1,309	-	-	1,122	342	1,464	1,464
Marketable securities and other current financial assets	15	-	5	-	-	10	15	15
Cash and cash equivalents	2,943	-	-	-	2,943	-	2,943	2,943
Assets	**10,199**	**1,352**	**5**	**27**	**8,463**	**352**	**8,847**	**8,847**
Non-current borrowings	65	-	-	-	60	5	65	65
Non-current obligations under finance leases	543	-	-	-	543	-	543	543
Current borrowings	706	-	-	-	684	22	706	711
Current obligations under finance leases	42	-	-	-	42	-	42	42
Trade payables	3,866	-	-	-	3,866	-	3,866	3,866
Other current liabilities	2,847	1,313	-	-	893	641	1,534	1,534
Liabilities	**8,069**	**1,313**	**-**	**-**	**6,088**	**668**	**6,756**	**6,761**

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

Impact on financial income and expense for the period ended 31 March 2009

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	Total
Interests	4	-	-	25	29
Interest income	*4*	*-*	*-*	*103*	*107*
Interest expense	*-*	*-*	*-*	*(78)*	*(78)*
Dividends	-	4	-	-	4
Impairment/loss from subsequent measurement	-	(1)	-	-	(1)
Gain on disposal	-	-	-	-	-
Foreign currency and other	-	-	-	(16)	(16)
Net income/expense for the year ended 31 March 2009	**4**	**3**	**-**	**9**	**16**

The amount reported as “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 for the period ended 31 March 2009

Net foreign currency gains and losses recorded within income from operations are negative by €5 million for the year ended 31 March 2009.

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.

Balance sheet positions at 31 March 2008

			Carrying amount of items classified as financial instruments (1)						
At 31 March 2008 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	FV P/L	AFS	HTM	LRL at amortised cost	DER	Total	Fair value of items classified as financial instruments
Associates and available for sale assets	62	26	-	36	-	-	-	36	36
Other non-current assets	635	18	-	-	-	617	-	617	617
Trade receivables	3,538	-	-	-	-	3,538	-	3,538	3,538
Other current assets related to operating activities	2,042	1,006	-	-	-	622	414	1,036	1,036
Marketable securities and other current financial assets	170	-	156	-	7	-	7	170	170
Cash and cash equivalents	2,115	-	-	-	-	2,115	-	2,115	2,115
Assets	**8,562**	**1,050**	**156**	**36**	**7**	**6,892**	**421**	**7,512**	**7,512**
Non-current borrowings	664	-	-	-	-	664	-	664	672
Non-current obligations under finance leases	644	-	-	-	-	644	-	644	644
Current borrowings	576	-	-	-	-	557	19	576	578
Current obligations under finance leases	43	-	-	-	-	43	-	43	43
Trade payables	3,132	-	-	-	-	3,132	-	3,132	3,132
Other current liabilities	2,528	1,199	-	-	-	1,107	222	1,329	1,329
Liabilities	**7,587**	**1,199**	**-**	**-**	**-**	**6,147**	**241**	**6,388**	**6,398**

(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 for the period ended 31 March 2008

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	Total
Interests	11	-	-	(70)	(59)
Interest income	*11*	-	-	*79*	*90*
Interest expense	-	-	-	*(149)*	*(149)*
Dividends	-	4	-	-	4
Loss from subsequent measurement	(1)	-	-	-	(1)
Gain on disposal	6	-	1	-	7
Foreign currency and other	-	-	-	(32)	(32)
Net income/expense for the year ended 31 March 2008	**16**	**4**	**1**	**(102)**	**(81)**

Impact on income from operations for the period ended 31 March 2008

Net foreign currency gains and losses recorded within income from operations for the year ended 31 March 2008 were positive by €14 million.

Balance sheet positions at 31 March 2007

			Carrying amount of items classified as financial instruments (1)						
At 31 March 2007 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	FV P/L	AFS	HTM	LRL at amortised cost	DER	Total	Fair value of items classified as financial instruments
Associates and available for sale assets	34	4	-	30	-	-	-	30	30
Other non-current assets	812	11	-	-	-	801	-	801	801
Trade receivables	2,886	-	-	-	-	2,886	-	2,886	2,886
Other current assets related to operating activities	1,494	937	-	-	-	400	157	557	557
Marketable securities and other current financial assets	197	-	175	-	18	-	4	197	197
Cash and cash equivalents	1,907	-	992	-	-	915	-	1,907	1,907
Assets	**7,330**	**952**	**1,167**	**30**	**18**	**5,002**	**161**	**6,378**	**6,378**
Non-current borrowings	1,922	-	-	-	-	1,922	-	1,922	2,003
Non-current obligations under finance leases	775	-	-	-	-	775	-	775	775
Current borrowings	85	-	-	-	-	78	7	85	85
Current obligations under finance leases	40	-	-	-	-	40	-	40	40
Trade payables	2,976	-	-	-	-	2,976	-	2,976	2,976
Other current liabilities	1,814	1,027	-	-	-	697	90	787	787
Liabilities	**7,612**	**1,027**	**-**	**-**	**-**	**6,488**	**97**	**6,585**	**6,666**

(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 for the period ended 31 March 2007

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	Total
Interests	6	-	-	(87)	(81)
Interest income	*6*	*-*	*-*	*77*	*83*
Interest expense	*-*	*-*	*-*	*(164)*	*(164)*
Dividends	-	2	-	-	2
Gain from subsequent measurement	4	-	-	-	4
Gain on disposal	1	-	-	-	1
Foreign currency and other	-	-	-	(29)	(29)
Net income/expense for the year ended 31 March 2007	**11**	**2**	**-**	**(116)**	**(103)**

Impact on income from operations for the period ended 31 March 2007

Net foreign currency gains and losses recorded within income from operations for the year ended 31 March 2007 were positive by €18 million.

B. CURRENCY RISK MANAGEMENT

Financial debt

The nominal value of the financial debt split by currency is as follows:

At 31 March (in € million)	**2009**	2008	2007
Euro	700	1,153	2,020
US Dollar	8	24	40
British Pound	443	541	647
Other currencies	209	218	137
Financial debt in nominal value	**1,360**	**1,936**	**2,844**

The debt in GBP essentially originates from a long-term lease scheme of trains, involving London Underground. The related €429 million debt denominated in GBP is counter-balanced by long-term receivables having the same maturity and also denominated in GBP that are recognised as non-current assets (see Notes 15, 26 and 30).

Operations

In the course of its operations, the Group is exposed to currency risk arising from tenders submitted in foreign currency, awarded contracts and any future cash out transactions denominated in foreign currency. Main currencies triggering a significant exposure for the year ended 31 March 2009 are the Swiss Franc and the US dollar.

During the tender period, depending on the probability of obtaining 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 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).

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. 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.

Derivative instruments hedging foreign currency risk are recognised at their fair value on the balance sheet as follows:

	At 31 March 2009		At 31 March 2008		At 31 March 2007	
(in € million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	318	650	369	221	151	90
Derivatives qualifying for cash flow hedges	28	15	-	-	-	-
Derivatives qualifying for net investment hedges	-	-	-	-	-	-
Derivatives not qualifying for hedge accounting	6	3	52	20	6	-
Total	**352**	**668**	**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 contracts, valued on the basis of relevant yield curves and foreign exchange rates at closing date.

High volatility of foreign exchange rates during the periods ended 31 March 2009 and 31 March 2008 explains the significant amount of 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 shows the sensitivity of the Group's pre-tax income to a change in the US dollar and Swiss Franc exchange rates. This sensitivity arises from derivative instruments not qualifying for hedge accounting and unhedged monetary items.

	USD rate		CHF rate	
	Variation	Effect on pre-tax income	Variation	Effect on pre-tax income
Year ended 31 March 2009	10%	(1)	5%	4
	(10%)	1	(5%)	(4)
Year ended 31 March 2008	10%	(4)	5%	28
	(10%)	5	(5%)	(30)
Year ended 31 March 2007	10%	(7)	5%	-
	(10%)	6	(5%)	-

C. INTEREST RATE RISK MANAGEMENT

The Group has not implemented an active 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.

Carrying amount at 31 march (in € million)	2009	2008	2007
Financial assets at floating rate	2,965	2,288	2,140
Financial assets at fixed rate	481	572	665
Financial assets bearing interests	**3,446**	**2,860**	**2,805**
Financial debt at floating rate	(12)	(461)	(949)
Financial debt at fixed rate, put options and earn-out on acquired entities	(1,344)	(1,466)	(1,873)
Financial debt	**(1,356)**	**(1,927)**	**(2,822)**
Net position at floating rate before swaps	2,953	1,827	1,191
Net position at fixed rate before swaps	(863)	(894)	(1,208)
Net position before hedging	**2,090**	**933**	**(17)**
Net position at floating rate after swaps	2,953	1,827	991
Net position at fixed rate after swaps	(863)	(894)	(1,008)
Net position after hedging	**2,090**	**933**	**(17)**

Sensitivity is analysed based on the group's net cash position after hedging at 31 March 2009, assuming that it remains constant over one year.

In absence of instruments hedging the interest risk, the effects of increases or decreases in market rates are symmetrical: a rise of 1% would increase the net interest income by €30 million while a fall of 1% would decrease it by the same amount.

D. CREDIT RISK MANAGEMENT

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a loss. The Group is exposed to credit risk on its operating activities (primarily for trade receivables) and from its financing activities, including deposits, foreign currency hedging instruments and other financial instruments with banks and financial institutions.

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 specific 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

Credit risk from balances with banks and financial institutions is managed by Group treasury in accordance with the Group's policy. At 31 March 2009 and 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 and corporate benefit laws.

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 €342 million and €238 million at 31 March 2009 and 31 March 2008, respectively.

E. LIQUIDITY RISK MANAGEMENT

Financial covenants

At 31 March 2009, to increase its liquidity, the Group has in place a €1,000 million revolving credit facility fully undrawn maturing in March 2012 and extended for €942 million up to March 2013. This facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum Interest Cover (a)	Maximum total debt (in € million) (b)	Maximum total net debt leverage (c)
From March 2009 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). This covenant does not apply since the Group has a net interest income (see Note 8).

(b) Total debt corresponds to borrowings, *i.e.* total financial debt less finance lease obligations. This covenant ceases to apply since the Group has an "Investment grade" rating.

(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 2009 is (1.2) ((0.7) at 31 March 2008).

Cash flow

The Group's objective is to maintain a strong liquidity. A revolving cash planning tool is used to monitor the Group's liquidity needs. Due to the positive net cash situation at 31 March 2009, the Group has determined that time bands detailing maturities below 1 year would not be appropriate and shows its maturity profile on an annual basis.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2009 and 31 March 2008.

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.

Financial instruments held at 31 March 2009

Cash flow arising from instruments included in net cash at 31 March 2009

Cash flow for the years ended 31 March (in € million)	Carrying amount	2010		2011		2012-2014		2015 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	449	-	20	-	23	-	75	-	331
Marketable securities and other current financial assets	15	-	15	-	-	-	-	-	-
Cash and cash equivalents	2,943	29	2,943	-	-	-	-	-	-
Assets	**3,407**	**29**	**2,978**	**-**	**23**	**-**	**75**	**-**	**331**
Non-current borrowings	(65)	(1)	-	(1)	(16)	(1)	(23)	-	(26)
Non-current obligations under finance leases	(543)	-	-	-	(46)	-	(114)	-	(383)
Current borrowings	(706)	(22)	(706)	-	-	-	-	-	-
Current obligations under finance leases	(42)	-	(42)	-	-	-	-	-	-
Liabilities	**(1,356)**	**(23)**	**(748)**	**(1)**	**(62)**	**(1)**	**(137)**	**-**	**(409)**
Net cash	**2,051**	**6**	**2,230**	**(1)**	**(39)**	**(1)**	**(62)**	**-**	**(78)**

Cash flow arising from derivatives at 31 March 2009

Cash flow for the years ended 31 March (in € million)	Carrying amount	2010		2011		2012-2014		2015 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current assets related to operating activities	342	-	236	-	65	-	41	-	-
Assets	**342**	**-**	**236**	**-**	**65**	**-**	**41**	**-**	**-**
Other current liabilities	(641)	-	(376)	-	(138)	-	(120)	-	(7)
Liabilities	**(641)**	**-**	**(376)**	**-**	**(138)**	**-**	**(120)**	**-**	**(7)**
Derivatives	**(299)**	**-**	**(140)**	**-**	**(73)**	**-**	**(79)**	**-**	**(7)**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2009

Cash flow for the years ended 31 March (in € million)	Carrying amount	2010		2011		2012-2014		2015 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	27	-	-	-	-	-	-	-	27
Other non-current assets	76	1	36	-	9	-	-	-	31
Trade receivables	3,873	-	3,873	-	-	-	-	-	-
Other current assets related to operating activities	1,122	-	1,122	-	-	-	-	-	-
Assets	**5,098**	**1**	**5,031**	**-**	**9**	**-**	**-**	**-**	**58**
Trade payables	(3,866)	-	(3,866)	-	-	-	-	-	-
Other current liabilities	(893)	-	(893)	-	-	-	-	-	-
Liabilities	**(4,759)**	**-**	**(4,759)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**339**	**1**	**272**	**-**	**9**	**-**	**-**	**-**	**58**

Financial instruments held at 31 March 2008

Cash flow arising from instruments included in net cash at 31 March 2008

Cash flow for the years ended 31 March (in € million)	Carrying amount	2009		2010		2011-2013		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)**

Cash flow arising from derivatives at 31 March 2008

Cash flow for the years ended 31 March (in € million)	Carrying amount	2009		2010		2011-2013		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**	**-**	**-**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2008

Cash flow for the years ended 31 March (in € million)	Carrying amount	2009		2010		2011-2013		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	622	-	622	-	-	-	-	-	-
Assets	**4,267**	**-**	**4,179**	**-**	**-**	**-**	**32**	**-**	**56**
Trade payables	(3,132)	-	(3,132)	-	-	-	-	-	-
Other current liabilities	(1,107)	-	(1,107)	-	-	-	-	-	-
Liabilities	**(4,239)**	**-**	**(4,239)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**28**	**-**	**(60)**	**-**	**-**	**-**	**32**	**-**	**56**

F. HEDGING RELATIONSHIPS DESIGNATED AS CASH FLOW HEDGES

Movements on gains and losses on cash flow hedges directly recognised in equity during the period

Year ended 31 March (in € million)	**2009**	2008
Beginning of period	-	-
Additions	24	-
Transfer to income statement – operating income	-	-
Transfer to income statement – financial income	1	-
Transfer to working capital	-	-
End of period	**25**	**-**

The outstanding major hedging instrument qualifying for cash flow hedge accounting at 31 March 2009 is a forward purchase of CHF945 million maturing in September 2009.

NOTE 28. OTHER CURRENT LIABILITIES

At 31 March (in € million)	2009	2008	2007
Staff and associated costs	810	751	652
Corporate income tax	151	123	105
Other taxes	292	287	248
Deferred income	44	14	-
Other payables	554	619	526
Derivatives relating to operating activities (see Note 27)	641	222	90
Remeasurement of hedged firm commitments in foreign currency	355	512	193
Other current liabilities	**2,847**	**2,528**	**1,814**

NOTE 29. EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

Year ended 31 March (in € million)	2009	2008	2007
Total wages and salaries	3,336	2,983	2,778
Social charges	862	715	680
Post-employment and other long-term benefit expense (see Note 25)	198	183	201
Share-based payment expense (see Note 23)	25	60	30
Total employee benefit expense	**4,421**	**3,941**	**3,689**

At 31 March	2009	2008	2007
Staff of consolidated companies			
Managers, engineers and professionals	32,001	27,943	24,721
Other employees	39,510	39,981	41,848
Headcount	**71,511**	**67,924**	**66,569**

NOTE 30. CONTINGENT LIABILITIES AND DISPUTES

A. CONTINGENT LIABILITIES

Commercial obligations

Contractual obligations of the Group towards its customers may be guaranteed by bank bonds or insurance bonds. Bank and insurance bonds may guarantee liabilities already recorded on the balance sheet as well as contingent liabilities.

At 31 March 2009, the Group has in place both a committed syndicated Bonding Facility allowing issuance of instruments up to €8 billion up to July 2010 and local uncommitted bilateral lines in numerous countries up to €13.5 billion.

The available amount under the syndicated Bonding Facility at 31 March 2009 amounts to €2.4 billion (€2.0 billion at 31 March 2008). The issuance of new bonds under this bonding facility is subject to the financial covenants disclosed in Note 27.E. The available amount under local bilateral lines at 31 March 2009 amounts to €5.1 billion.

At 31 March 2009, the total outstanding bonding guarantees related to contracts, issued by banks or insurance companies, amount to €14.0 billion at 31 March 2009 (€12.4 billion at 31 March 2008).

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.

Vendor financing

Until 2003, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of Transport equipments or ships.

Transport

At 31 March 2009, guarantees given as part of vendor financing arrangements amount to €237 million. Included in this amount are:

- guarantees totalling $63 million (€47 million, €40 million and €47 million at 31 March 2009, 31 March 2008 and 31 March 2007, respectively) given with respect to equipments sold to a US train operator; and
- guarantees totalling £177 million (€190 million, €222 million and €260 million at 31 March 2009, 31 March 2008 and 31 March 2007, 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 €429 million amount of "Other obligations under long-term rental" (see Note 26).

Marine

During the year ended 31 March 2008, the residual value guarantee formerly granted for $74 million on one cruise ship expired and there are no outstanding commitments.

B. DISPUTES

Disputes in the ordinary course of business

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, and may exceed €300 million in one particular dispute in India.

In some proceedings amount claimed is not specified at the beginning of the proceeding. 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.

Alleged anti-competitive activities

GIS equipment

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 equipment"), a product of its former T&D business sold to AREVA in January 2004, following investigations that began in 2004. On 24 January 2007, the European Commission 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. The hearings took place on 24 March 2009 and the date when the Court will give its decision is not yet known.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages of €268,3 million since it bought GIS equipment at inflated prices due to alleged anti-competitive arrangements between manufacturers. Alstom has already filed a request for stay of proceedings until the European Commission decision of 24 January 2007 is final and has reserved its rights to contest the facts.

Power transformers

On 11 December 2008, the European Commission confirmed that it has sent a statement of objections to a number of manufacturers of power transformers, including Alstom, concerning their alleged participation in anti-competitive arrangements. Alstom is contesting the materiality of the alleged facts. Given the discretionary power granted to the European Commission for determining the amount of antitrust fines, the risk incurred in relation to antitrust proceedings, including in relation to the proceeding described above, cannot be precisely assessed.

German proceedings

The Group received a statement of objections issued by the German Federal Cartel Office ("FCO") on 22 December 2008, alleging breaches of German competition law in the field of steam generators for lignite fired power plants. After submission of a reply and its review by the FCO, the FCO may impose a maximum fine which may go up to a maximum of three times the additional proceeds gained by the alleged breaches, plus €0.5 million. The Group intends to contest this matter.

Alleged illegal payments

Certain current and former employees of the Group have been or are currently being investigated with respect to alleged illegal payments in various countries. In particular investigations by Swiss and French authorities are ongoing in connection with alleged cases of corruption. Certain of these procedures may result in fines and the exclusion of Group subsidiaries from public tenders in the relevant country for a defined period.

United States Class Action Lawsuit

The Group, some of its subsidiaries and some of its current and former Officers and Directors were named as defendants in a number of 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 US 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. The Group filed a response to the motion contesting including the non-US persons in the class and the Court decided on 28 August 2008 to remove from the class, as to all defendants, the French shareholders and has declined the inclusion in the class of English and Dutch shareholders as to Alstom. This decision which reduces the potential damages associated with this action is final as the plaintiffs did not filed a petition for appeal. 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 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 situation.

Asbestos

In France, some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos. These proceedings are 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 have made findings of inexcusable fault, the damages in most of these proceedings have been borne to date by the French Social Security (medical) funds. In addition, one of the Group's subsidiaries was fined €75,000 for breach of the law protecting employees against asbestos dust.

In the United States, subsidiaries of the Group are subject 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 lawsuits asserting fraudulent conveyance claims against various Alstom and ABB entities, following the acquisition by Alstom of ABB power generation activities. The CE reorganisation plan in the United States Bankruptcy Court 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.

In addition, the Group is subject to approximately five other asbestos-related personal injury lawsuits in the United States involving approximately 460 claimants as of 31 March 2009. These procedures involve both claims which are not related to the acquisition of ABB power generation activities and claims in relation therewith but as to which the complaints do not provide details sufficient to determine if ABB indemnification is applicable. The allegations in these lawsuits are often very general and therefore difficult to evaluate at this stage of the proceedings. The Group believes that it has valid defences and, with respect to a number of lawsuits, it is asserting its indemnification rights. For the 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.

The Group believes that the cases where it may be required to bear the financial consequences of such civil or criminal proceedings both in France and the United States do not represent a material exposure. While the outcome of the existing asbestos-related cases described above cannot be predicted with reasonable certainty, the Group believes that these cases will not have any material adverse effect on its financial condition. It can give no assurance, however, that present asbestos-related cases or new cases it may face in the future may not have a material adverse impact on its financial condition.

SEC investigation

Alstom and certain of its subsidiaries and certain former officers and employees were formerly concerned by an investigation of alleged US 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 fully cooperated with the SEC and the FBI in this matter. In 2008, the SEC notified the individuals that it had dropped its investigation and the matter is now closed.

The Group considers that there are no other matters outstanding that are likely to have a material adverse impact on the consolidated financial statements.

NOTE 31. LEASE OBLIGATIONS

		Maturity of lease payments		
(in € million)	Total	Within 1 year	1 to 5 years	Over 5 years
Long term rental (1)	429	20	98	311
Capital leases	189	28	80	81
Operating leases	214	40	108	66
Total at 31 March 2009	**832**	**88**	**286**	**458**
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**

(1) Obligations related to lease of trains and associated equipments (see Note 30).

NOTE 32. INDEPENDENT AUDITORS' FEES

Fees due to auditors and members of their networks in respect of years ended 31 March 2009 and 31 March 2008 were as follows:

	Year ended 31 March 2009				Year ended 31 March 2008			
	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	9.6	90	8.6	81	9.7	87	8.5	82
- ALSTOM	1.2	11	1.2	11	1.2	11	1.3	13
- Controlled entities	8.4	78	7.4	70	8.5	76	7.2	72
Other audit diligence and audit related services	0.8	7	1.7	16	1.3	10	1.5	14
- ALSTOM	-	-	-	-	-	-	0.1	1
- Controlled entities	0.8	7	1.7	16	1.3	10	1.4	13
Sub-total	**10.4**	**97**	**10.3**	**97**	**11.0**	**97**	**10.0**	**96**
Legal, tax and social services	0.3	3	0.3	3	0.3	3	0.4	4
Other	-	-	-	-	-	-	-	-
Sub-total	**0.3**	**3**	**0.3**	**3**	**0.3**	**3**	**0.4**	**4**
Total	**10.7**	**100**	**10.6**	**100**	**11.3**	**100**	**10.4**	**100**

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 2009, 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 sale or purchase of goods and services with Alstom Atomenergomash for the period ended 31 March 2009.

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 defined by IAS 24 are the members of the Executive Committee at 31 March.

Year ended 31 March (in € thousand)	2009	2008	2007
Short-term benefits	**6,694**	**7,613**	**7,366**
Fixed gross salaries	3,225	3,613	3,633
Variable gross salaries	2,800	3,414	3,209
Non monetary benefits	24	39	39
Post-employment benefits	107	118	120
Directors' fees (1)	538	429	365
Other benefits	**4,178**	**4,745**	**4,187**
Post-employment benefits	681	1,491	1,783
Share-based payments (2)	3,497	3,254	2,404
Total	**10,872**	**12,358**	**11,553**

(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

The Group has not identified any subsequent event to be reported.

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 or sales above €100 million for the year ended 31 March 2009. The list of all consolidated companies is available upon request at the head office of the Group.

Parent company

Companies	Country	Ownership %	Consolidation Method
ALSTOM	France	-	Parent company

Holding companies

Companies	Country	Ownership %	Consolidation Method
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Deutschland AG	Germany	100%	Full consolidation
ALSTOM Spa	Italy	100%	Full consolidation
ALSTOM NV	Netherlands	100%	Full consolidation
ALSTOM España IB SA Holding	Spain	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
ALSTOM UK Holdings Ltd	United Kingdom	100%	Full consolidation
ALSTOM Inc	United States	100%	Full consolidation

Industrial companies

Companies	Country	Ownership %	Consolidation Method
ALSTOM Limited (Australia)	Australia	100%	Full consolidation
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Hydro Energia Brasil Ltda	Brazil	100%	Full consolidation
ALSTOM Canada Inc.	Canada	100%	Full consolidation
Tianjin ALSTOM Hydro Co. Ltd	China	99%	Full consolidation
Wuhan Boiler Company	China	51%	Full consolidation
ALSTOM Power Centrales	France	100%	Full consolidation
ALSTOM Power Hydraulique	France	100%	Full consolidation
ALSTOM Power Service	France	100%	Full consolidation
ALSTOM Power Turbomachines	France	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM LHB GmbH & VGT GmbH	Germany	100%	Full consolidation
ALSTOM Power Energy Recovery GmbH	Germany	100%	Full consolidation
ALSTOM Power Service GmbH	Germany	100%	Full consolidation
ALSTOM Power Systems GmbH	Germany	100%	Full consolidation
ALSTOM Projects India Ltd	India	68%	Full consolidation
ALSTOM Ferrovaria S.p.A	Italy	100%	Full consolidation
ALSTOM Power Italia Spa	Italy	100%	Full consolidation
ALSTOM K.K.	Japan	100%	Full consolidation
Cerrey – Babcock & Wilcox	Mexico	25%	Equity method
ALSTOM Power Nederland B.V.	Netherlands	100%	Full consolidation
ALSTOM Transport B.V.	Netherlands	100%	Full consolidation
ALSTOM Norway AS	Norway	100%	Full consolidation
ALSTOM Power Sp.z o.o.	Poland	100%	Full consolidation
ALSTOM S&E Africa (Pty) Ltd	South Africa	100%	Full consolidation
ALSTOM Power SA	Spain	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
Ecotecnia Energias renovables SL	Spain	100%	Full consolidation
ALSTOM Power Sweden AB	Sweden	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
ALSTOM Power Service (Arabia) Fze	United Arab Emirates	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Power Inc.	United States	100%	Full consolidation
ALSTOM Transportation Inc.	United States	100%	Full consolidation
AP Com Power Inc.	United States	100%	Full consolidation

Independent 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 Auditor’s 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 auditors’ 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 purposes 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 2009

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 2009 on:
- the audit of the accompanying consolidated financial statements of ALSTOM;
- the justification of our assessments;
- the specific verification required by French law.

The consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, by audit sampling and other selective testing methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by management and the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 March 2009 and the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to the matter discussed in Note 2.B of the consolidated financial statements of the Group relating to the changes in accounting method following the application of the IFRIC 14 interpretation of standard IAS 19 “The limit on a defined benefit asset, minimum funding requirements and their interaction”. This application does not affect the consolidated financial statements.

II. JUSTIFICATION OF ASSESSMENTS

The accounting estimates used in the preparation of the consolidated financial statements for the year ended 31 March 2009 were made in a context where economic outlooks are difficult to apprehend. It is in this context and 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 performed an impairment test on 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 assessed the impairment test performed and examined the assumptions made and the strategic plans which justify the fact that goodwill is not impaired as at 31 March 2009. In addition, we carried out an assessment of the reasonableness of these estimates;

- As indicated in Note 9, ALSTOM recorded as at 31 March 2009 net deferred tax assets of €942 million resulting from tax losses carried forward and other timing differences and supporting 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 in context of the current financial crisis. We have also examined the information provided in Note 25;
- As described in Notes 3.B, 3.C, 24 and 30 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.
- As indicated in Note 3.B, we remind you that 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.

This assessment was made in the context of our audit of the consolidated financial statements as at 31 March 2009, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by French law, we have also verified the information presented in the Group management report.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine, 5 May 2009

The Independent Auditors

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

STATUTORY ACCOUNTS

Income statements

Year ended 31 March (in € million)	Note	**2009**	2008	2007
Management fees and other operating income		137	85	77
Administrative costs and other operating expenses		(32)	(23)	(39)
Depreciation and amortisation		(1)	(3)	(3)
Operating income	**(3)**	**104**	**59**	**35**
Reversal of impairment losses		-	-	2,608
Interest income and other items of financial income		112	180	196
Depreciation, amortisation and impairment		(6)	(18)	(18)
Interest expenses and related expenses		(40)	(112)	(142)
Financial income	**(4)**	**66**	**50**	**2,644**
Current income		**170**	**109**	**2,679**
Non recurring income		**-**	**(1)**	**(7)**
Income tax	(5)	68	72	29
Net profit		**238**	**180**	**2,701**
Total income		*249*	*264*	*2,874*
Total expenses		*(11)*	*(84)*	*(173)*

Balance sheets

At 31 March 2009 (in € million)	Note	2009	2008	2007
Assets				
Fixed assets				
Intangible assets	(6)	2	3	5
Financial assets				
Investments	(7)	9,216	9,216	9,217
Advances to subsidiary	(7)	2,738	3,149	3,865
Total fixed assets		**11,956**	**12,368**	**13,087**
Current assets				
Receivables	(8)	16	53	29
Deferred charges and prepaid expenses	(9)	6	15	33
Total current assets		**22**	**68**	**62**
Total assets		**11,978**	**12,436**	**13,149**

At 31 March 2009 (in € million)	Note	2009	2008	2007
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital		2,014	1,982	1,941
Capital surplus		414	370	280
Legal reserve		198	194	193
Restricted reserve		2	11	9
General reserve		7,491	7,489	5,491
Retained earnings		1,212	1,262	673
Net profit		238	180	2 701
Total shareholders' equity	**(10)**	**11,569**	**11,488**	**11,288**
Bonds reimbursables with shares	**(11)**	**-**	**49**	**80**
Provisions for risks and charges	**(12)**	**44**	**44**	**44**
Liabilities				
Bonds	(13)	276	840	1,709
Trade payables	(14)	4	12	7
Tax and social security payables	(14)	85	2	3
Other payables		-	1	18
Total liabilities		**365**	**855**	**1,737**
Total shareholders' equity and liabilities		**11,978**	**12,436**	**13,149**

Notes to the statutory financial statements

NOTE 1. BASIS OF PREPARATION OF THE STATUTORY FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 March 2009 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 accounting policies and measurement methods as at 31 March 2008.

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 value in use value which is estimated using various assessment methods notably return on investment and appraised net assets.

When the recoverable value of the investment is lower than the book value, an impairment loss is recognised.

B. SHARE CAPITAL

A share capital increase is recorded at the nominal share price. If the issue price is higher than the nominal value, 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 FOR RISKS AND CHARGES

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 in the liabilities. 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 GROUP

The company is the mother company 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 pre-tax income for the year, as if it was not included in a tax group. The company 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. OPERATING INCOME

Operating income is made of €137 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 gross compensation due to the Chairman and Chief Executive Officer (€2,465,617 for the financial year ended 31 March 2009) and directors' fees paid (€538,500).

Amortisation expense includes the amortisation expense of transaction costs related to capital increases (€1 million).

NOTE 4. FINANCIAL INCOME

The net financial income amounts to €66 million and is mainly made up of the following:
- €112 million of interest income arising from deposits made with ALSTOM Holdings (see Note 7);
- €36 million of interest expenses on bonds and borrowings;
- €2 million of premiums paid to holders of bonds bought back and cancelled during the year;
- €7 million on amortisation of premiums and transaction costs related to bonds and borrowings.

NOTE 5. INCOME TAX

The €68 million tax credit is broken down as follows:
- €72 million gain from tax grouping; and
- €4 million loss from withholding taxes.

In absence of tax grouping, a €59 million income tax charge would have been recorded at 31 March 2009.

NOTE 6. INTANGIBLE FIXED ASSETS

At 31 March (in € million)	2008	Acquisitions/Disposals	Amortisation/impairment	2009
Trademark registration costs				
Gross value	2	-	-	2
Impairment	-	-	-	-
Net value	**2**	-	-	**2**
Costs related to capital increases				
Gross value	11	-		11
Amortisation	(10)	-	(1)	(11)
Net value	**1**	-	**(1)**	**-**
Total intangible fixed assets	**3**	-	**(1)**	**2**

NOTE 7. FINANCIAL ASSETS

ALSTOM Holdings is ALSTOM's sole subsidiary and owns all operating entities of the Group Alstom.

Financial assets gross value consists of ALSTOM Holdings' shares, amounting to €9,216 million, and advances to ALSTOM Holdings amounting to €2,738 million, including €1 million of accrued interests.

At 31 March 2009, the company performed an impairment test of investments in ALSTOM Holdings.

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 internal three-year business plan of ALSTOM Holdings and its subsidiaries prepared as part of their annual budget exercise;
- the extrapolation of the three-year business plan to 7 years; and
- the Group's weighted average cost of capital, post-tax, of 10%.

The consolidated financial debt of ALSTOM Holdings and its subsidiaries and other assets and liabilities not recognised when using the discounted cash flow methodology was then considered to determine the recoverable value of investments.

The recoverable amount of ALSTOM Holdings shares is higher than their carrying amount. No impairment loss has been recognised, accordingly.

At 31 March (in € million)	2008	Impairment	Other movements	2009
ALSTOM Holdings shares				
Gross value	9,216	-	-	9,216
Impairment	-	-	-	-
Net value	**9,216**	-	-	**9,216**
Advances to ALSTOM Holdings				
Gross value	3,149	-	(411)	2,738
Impairment	-	-	-	-
Net value	**3,149**	-	**(411)**	**2,738**

Advances to ALSTOM Holdings have a maturity below one year and can be cancelled by anticipation, which ensures their liquidity.

NOTE 8. RECEIVABLES

Current receivables can be broken down as follows:

At 31 March (in € million)	2009	Related parties
Current account with ALSTOM Holdings	1	1
Trade receivables	7	7
"Research tax credit" receivable on the French State	6	-
Other receivables	2	-
Total	**16**	**8**

All receivables are due within one year.

NOTE 9. DEFERRED CHARGES AND PREPAID EXPENSES

DEFERRED CHARGES

At 31 March (in € million)	2008	Amount capitalised during the period	Amortisation expense of the period	**2009**
Transaction costs and premiums related to bonds and borrowings	11	-	(7)	4

PREPAID EXPENSES

At 31 March (in € million)	**2009**	2008
Insurance	2	2
Other	-	2
Total	**2**	**4**

NOTE 10. SHAREHOLDERS' EQUITY

SHARE CAPITAL

At 31 March 2009, ALSTOM's share capital amounted to €2,013,575,921 consisting of 287,653,703 ordinary shares with a par value of €7 each and fully paid.

The variations of share capital during the period are the following:

	Number	Par value (in €)
Existing shares at beginning of year	**141,602,127**	**14**
Shares issued from 1 April 2008 and 7 July 2008		
- Reimbursement of bonds	4,712	14
- Exercise of options	94,135	14
- Subscription of shares under employee sharing program	462,792	14
Existing shares at 7 July 2008	**142,163,766**	**14**
Split by two of the par value at 7 July 2008	142,163,766	7
Shares issued from 8 July 2008 to 31 March 2009		
- Reimbursement of bonds	2,187,133	7
- Exercise of options	1,139,038	7
Existing shares at year end	**287,653,703**	**7**

At 31 March 2008, ALSTOM's share capital amounted to €1,982,429,778 consisting of 141,602,127 ordinary shares with a par value of €14 and fully paid.

CHANGES IN SHAREHOLDERS' EQUITY

At 31 March (in € million)	2008	Shareholders' meeting held 24 June 2008	Other movements	2009
Capital	1,982	-	32	2,014
Capital surplus	370	-	44	414
Legal reserve	194	4	-	198
Restricted reserve	11	-	(9)	2
General reserve	7,489	-	2	7,491
Retained earnings	1,262	(50)	-	1,212
Net profit	180	(180)	238	238
Total	**11,488**	**(226)**	**307**	**11,569**

Following the decision of the Shareholders' Ordinary Meeting held on 24 June 2008, a €1.60 dividend per share was distributed, representing a total amount of €226 million (a €0.80 dividend was distributed for the year ended 31 March 2007 and no dividend was distributed for the year ended 31 March 2006).

The positive variation of the period arises from:
- a €69 million equity increase, net of transaction costs, resulting from the conversion of bonds reimbursable with shares, the exercise of options and the subscription of shares under employee sharing programme;
- a net profit of the period of €238 million.

NOTE 11. BONDS REIMBURSABLE WITH SHARES

In December 2003, the company had issued 643,795,472 bonds reimbursable with shares with a nominal value of €1.40 and a 2% interest rate, maturing on 31 December 2008.

The bonds have been converted into shares as follows:
- prior to the consolidation of shares completed on 3 August 2005 (by delivering one new share at €14 par value for each 40 former shares at €0.35 par value), 549,487,337 bonds were converted into 549,487,337 shares with a €0.35 par value;
- between 3 August 2005 and 7 July 2008, 59,451,596 additional bonds were converted into 1,867,114 shares with a €14 par value;
- after the split by two of the nominal value of the shares on 7 July 2008, 34,751,268 bonds were converted into 2,187,133 shares with a €7 par value, of which 31,893,534 bonds converted at maturity on 31 December 2008.

At 31 March 2009, 105,271 bonds reimbursable with shares were outstanding.

NOTE 12. PROVISIONS FOR RISKS AND CHARGES

At 31 March (in € million)	2008	Additions	Applications and reversals	2009
Litigations and disputes	42	-	-	42
Post-employment defined benefits	2	-	-	2
Total	**44**	**-**	**-**	**44**

The Chairman and Chief Executive Officer also benefits from the supplemental collective retirement scheme, which is composed of a defined benefit plan and a defined contribution plan.

The defined benefit plan implemented in 2004 covers all managing executives of the Group in France whose base annual salary exceeds eight times the annual French social security ceiling. The rights under this plan are vested only if the beneficiary retires from the Company and after claiming his or her retirement rights. Even though the plan does not set any minimum seniority requirement in order to benefit from it, the plan remains compliant with the intention behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority, at a rate of 1.2% per year. The pension is determined by multiplying the replacement ratio based on the seniority by the fraction of the annual reference salary (*i.e.* the average of the last three fixed and variable annual remunerations) that exceeds eight times the annual French social security ceiling (€266,208 for the 2008 calendar year). The annual reference salary is capped at €2 million. Since the 1 of January 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC supplemental retirement scheme. As such, given his seniority within the Group, the Chairman and Chief Executive Officer could, when he retires, claim a replacement ratio between 13% and 20% of this salary portion.

The amount of contributions paid by ALSTOM within the defined contribution plan, was €21,462 for the year ended 31 March 2009.

The legal retirement indemnity is also granted to the Chairman and Chief Executive Officer.

The defined benefit obligation for the defined benefits plan, including statutory retirement indemnities, amounts €1,917,000 as at 31 March 2009.

NOTE 13. FINANCIAL DEBT

A. BONDS

The movements in nominal amount of bonds over the past two years are as follows:

		Maturity date		
(Nominal value in € million)	Total	28 July 2008	13 March 2009	3 March 2010
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**
Bonds reimbursed at maturity date	(391)	(249)	(142)	-
Bonds bought back and cancelled	(168)	-	(19)	(149)
Outstanding amount at 31 March 2009	**275**	**-**	**-**	**275**

The nominal interest rate applicable to the bonds outstanding at 31 March 2009 is 6.25% (maturity 3 March 2010). Accrued interests at 31 March 2009 amounting to €1 million are added to the outstanding principal amount in the balance-sheet.

B. FINANCIAL COVENANTS

At 31 March 2009, the company has in place a €1,000 million revolving credit facility fully undrawn maturing in March 2012 and extended for €942 million up to March 2013. This facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum interest cover (a)	Maximum total debt (in € million) (b)	Maximum total net debt leverage (c)
From March 2009 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). This covenant does not apply since the Group has a net interest income.

(b) Total debt corresponds to borrowings, *i.e.* total financial debt less finance lease obligations. This covenant ceases to apply since the Group has an “Investment grade” rating.

(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 2009 is (1.2) ((0.7) at 31 March 2008).

NOTE 14. MATURITY OF LIABILITIES

At 31 March (in € million)	2009	Within one year	One to five years	More than five years	Related parties
Financial debt					
Bonds	276	276	-	-	-
Borrowings	-	-	-	-	-
Trade payables	**4**	**4**	**-**	**-**	**-**
Payables to members of the tax grouping	**82**	**82**	**-**	**-**	**82**
Other tax and social security payables	**3**	**3**	**-**	**-**	**-**
Other payables	**-**	**-**	**-**	**-**	**-**
Total	**365**	**365**	**-**	**-**	**82**

NOTE 15. ACCRUED EXPENSES

Accrued expenses included in the amounts reported as liabilities are as follows:

(in € million)	At 31 March 2009
Bonds	1
Trade payables	3
Tax and social security payables	3
Total	**7**

NOTE 16. OTHER INFORMATION

A. COMMITMENTS

Total outstanding guarantees given by the company amounted to €497 million at 31 March 2009, out of which €432 million Parent guarantees detailed as follows:

- $30 million as lease guarantees; and
- €409 million as guarantees of commercial obligations contracted by the Transport Sector.

B. STOCK OPTIONS

	Adjusted exercise price (1)	Exercise period	Adjusted number of options granted (2)	Adjusted number of options exercised since the origin	Adjusted number of options cancelled since the origin	Adjusted number of outstanding options at 31 March 2009 (inc. those that may be subscribed by the present members of the Executive Committee)	Adjusted number of performance shares that may be delivered (inc. to the present members of the Executive Committee) (3)	Adjusted number of performance shares cancelled since the origin	Adjusted number of outstanding performance shares at 31 March 2009 (inc. to the present members of the Executive Committee)
Plans issued of shareholders meeting on 24 July 2001									
Plan No. 3									
Granted on 24 July 2001 for 1,703 beneficiaries	€409.60	24 July 2002 23 July 2009	328,980	-	178,574	150,406 (2,580)	-	-	-
Plan No. 5									
Granted on 8 January 2002 for 1,653 beneficiaries	€162.60	8 Jan. 2003 7 Jan. 2010	333,390	-	180,158	153,232 (4,028)	-	-	-
Plan No. 6									
Granted on 7 January 2003 for 5 beneficiaries	€77.20	7 Jan. 2004 6 Jan. 2011	94,828	5,000	17,102	72,726 (72,726)	-	-	-
Plans issued of shareholders meeting on 9 July 2004									
Plan No. 7									
Granted on 17 September 2004 for 1,007 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	5,566,000	3,965,992	479,000	1,121,008 (139,000)	-	-	-
Plan No. 8									
Granted on 27 September 2005 for 1,030 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	2,803,000	684,050	127,000	1,991,950 (180,000)	-	-	-
Plan No. 9									
Granted on 28 September 2006 for 1,053 beneficiaries	€37.33	28 Sept. 2009 26 Sept. 2016	3,367,500	55,000	203,750	3,108,750 (525,000)	-	-	-
Plans issued of shareholders meeting on 26 June 2007									
Plan No. 10									
Granted on 25 September 2007 for 1,196 beneficiaries	€67.50	25 Sept. 2010 24 Sept. 2017	1,697,200	-	54,000	1,643,200 (298,000)	252,000 (10,000)	9,080 -	242,920 (10,000)
Plan No. 11									
Granted on 23 September 2008 for 1,431 beneficiaries	€66.47	23 Sept. 2011 22 Sept. 2018	754,300	-	11,805	742,495 (197,500)	445,655 (22,000)	9,024 -	436,631 (22,000)

(1) The exercise price 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). Plans No. 3, 5, 6, 7, 8, 9 and 10 have been adjusted in compliance with French law as a result of the completion of operations that impacted the share capital in 2002, 2003, August 2004 and in July 2008. The exercise price at grant date amounted to €1,320 (plan 3), €523.6 (plan 5), €420 (plan 6), €17.2 (plan 7), €35.75 (plan 8), €74.66 (plan 9), €135 (plan 10).

(2) The options initially granted amounted to 105,000 (plans 3 and 5), 30,500 (plan 6), 2,783,000 (plan 7), 1,401,500 (plan 8), 1,683,750 (plan 9) and 848,600 (plan 10).

(3) The performance shares initially granted amounted to 126,000 (plan 10).

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, 10 and 11, granted between 2004 and 2008, become vested after a period of three years. The exercise period then covers seven years for each plan.

On 25 September 2007, the Board of Directors decided to implement a long-term incentive plan ("LTI Plan"). This plan is subject to Group's performance conditions described below and comprised a stock option (Plan No. 10) and 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.

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 2009/10:

- if the 2009/10 Group's operating margin equal or above 8.5%, 1,697,200 options and 252,000 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 8% (inclusive) and 8.5% (exclusive), 1,357,760 options will be exercisable and 201,600 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 7.5% (inclusive) and 8% (exclusive), 678,880 options will be exercisable and 100,800 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.

On 23 September 2008, the Board of Directors decided to implement a new long-term incentive plan ("LTI Plan"). This plan is subject to Group's performance conditions described below and comprises a stock option plan (Plan No. 11) and 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. The conditional options are not exercisable during a three-year period after grant date. 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 performance shares to be delivered will depend on the Group's operating margin for the financial year 2010/11:

- if the 2010/11 Group's operating margin is equal or above 10.0%, 754,300 options will be exercisable and 445,655 performance shares will be delivered;
- if the 2010/11 Group's operating margin is between 9.5% (inclusive) and 10.0% (exclusive), 603,440 options will be exercisable and 356,524 performance shares will be delivered;
- if the 2010/11 Group's operating margin is between 9.0% (inclusive) and 9.5% (exclusive), 301,720 options will be exercisable and 178,262 performance shares will be delivered;
- if the 2010/11 Group's operating margin is below 9.0%, no option will be exercisable and no performance share will be delivered.

Movements in stock option plans and performance share plans

	Number of options	Weighted average exercise price per share in €	Number of performance shares	Weighted average exercise price per share in €
Outstanding at 31 March 2007	**5,973,835**	**60.15**	**-**	**-**
Granted	848,600	135.00	126,000	135.00
Exercised	(1,691,362)	18.49	-	-
Cancelled	(240,231)	189.74	(2,620)	135.00
Outstanding at 31 March 2008 before split of shares	**4,890,842**	**81.18**	**123,380**	**135.00**
Split of shares	4,890,842	(40.59)	123,380	(67.50)
Granted	754,300	66.47	445,655	66.47
Exercised	(1,323,318)	13.19	-	-
Cancelled	(228,899)	70.03	(12,864)	66.78
Outstanding at 31 March 2009	**8,983,767**	**46.05**	**679,551**	**66.84**

As at 31 March 2009:

- 8,983,767 stock options are outstanding, of which 3,489,322 are exercisable;
- 679,551 performance shares are outstanding, of which none is yet exercisable.

C. FREE SHARE PLANS AWARDED TO EMPLOYEES

Alstom sharing 2007

Under this employee share ownership scheme implemented in the financial year ended 31 March 2008, employees of the Group in 19 countries were given the opportunity to become Alstom shareholders on preferential terms.

They were in a position to subscribe to:

- the Alstom Sharing Plus 2007 plan: this plan entitles employees to benefit from the positive performance of ALSTOM shares (leverage effect) at the end of the mandatory holding period; and
- the Alstom Classic 2007 plan: this plan allowed employees to subscribe to ALSTOM shares at a lower price than the current market price.

Alstom sharing 2009

In January 2009, the Group announced a new scheme offered to Group employees in 22 countries and consisting of the following:

- the Two for one 2009 plan based on "buy one share and get one free" concept; and
- the Alstom Classic 2009 plan: this plan allowed employees to subscribe to ALSTOM shares at a lower price than the current market price.

The number of shares to be created amounts to 1,229,928.

D. OTHER INFORMATION

Unless in the case of grave misconduct of Mr Patrick Kron, in the event of termination of his mandate as Chairman and Chief Executive Officer at the company's initiative as well as in case he decides to resign further to a takeover of the company 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 modified by the law 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 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 payment of the indemnity shall be subject to the prior acknowledgment by the Board of Directors that the performance condition is met.

E. LIST OF SUBSIDIARIES

ALSTOM Holdings is the sole subsidiary of ALSTOM and is owned at 100%.

Information on ALSTOM Holdings

Gross value of investments held by the company	€9.2 billion
Net value of investments held by the company	€9.2 billion
Gross value of loans and advances granted by the company	€2.7 billion
Net value of loans and advances granted by the company	€2.7 billion
Bonds and guarantees granted by the company outstanding at 31 March 2009	-
Dividends paid by ALSTOM Holdings to the company during financial year ended 31 March 2009	-
ALSTOM Holdings shareholders' equity at 31 March 2008	€3.7 billion
ALSTOM Holdings shareholders' equity at 31 March 2009	€4.1 billion

NOTE 17. SUBSEQUENT EVENTS

The company has not identified any subsequent event to be reported.

Five-year summary

Information as per Article L. 232-1 of the French Commercial Code

	2005	2006	2007	2008	**2009**
1. Share capital at year end					
a) Share capital (in € thousand)	1,924,024	1,934,391	1,940,641	1,982,430	2,013,576
b) Number of outstanding issued shares	5,497,211,409	138,170,776	138,617,201	141,602,127	287,653,703
c) Par value of shares (in €)	0.35	14	14	14	7
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	90	78	92	128	177
c) Income tax	(10)	36	29	72	68
d) Net income after tax, amortisation expense, variations of provisions and recognition or reversal of impairment losses	83	6,398	2,701	180	238
e) Dividends	-	-	111	227	323
3. Earnings per share (in €)					
a) Net earning after tax, but before amortisation expense, variations of provisions and recognition or reversal of impairment losses	0.02	0.82	0.88	1.42	0.85
b) Net earning after tax, amortisation expense, variations of provisions and recognition or reversal of impairment losses	0.02	46.10	19.49	1.27	0.83
c) Net dividend per share	-	-	0.80	1.60	1.12
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)	1,143	1,251	2,228	2,391	2,466
c) Amount of social charges and other welfare benefits for the year (in € thousand)	421	357	540	579	754

Appropriation of the net income for the period ended 31 March 2009

Information as per Article 243-bis of the French Tax Code

The following appropriation of the net income for the year ended 31 March 2009 (€237,784,793.56) will be proposed to the next shareholders' meeting:

Income for the financial year	€237,784,793.56
Amount previously carried forward	€1,211,630,746.32
Allocation to the legal reserve	€3,114,614.30
Distributable income	€1,446,300,925.58
Dividend paid	€323,395,311.68
Balance carried forward	€1,122,905,613.90

The proposed dividend corresponds to a dividend of €1.12 for each of the 287,653,703 shares eligible at 31 March 2009 to dividend in respect of the year ended 31 March 2009 and to each of the 1,092,111 shares issued on 30 April 2009 in relation to Alstom sharing 2009.

This dividend gives right to the 40% deduction available to individuals domiciled in France for tax purposes provided for in Article 158 paragraph 3 sub-paragraph 2 of the French General Tax Code.

The dividend would be paid in cash on 30 June 2009. Should the Company hold any of its own shares at that date, the amount of dividends attributable to those shares would be carried forward.

Dividend payouts in respect of the previous years were as follows:

- a dividend of €1.60 per share (par value of €14) for the period ended 31 March 2008;
- a dividend of €0.80 per share (par value of €14) for the period ended 31 March 2007.

No dividend had been distributed with respect to the period ended 31 March 2006.

Comments on statutory accounts

Information requested by the Article L. 225-100 of the French Commercial Code.

The company is the holding company of the Alstom Group. ALSTOM's investments consist exclusively of the shares in ALSTOM Holdings. The company 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 the company's main other source of revenue.

INCOME STATEMENT

The company net profit amounted to €238 million and mainly comprised:

- operating income of €104 million stemming from the fees for the use of ALSTOM name *minus* administrative costs and other external costs;
- financial income of €66 million; and
- income tax income of €68 million including a tax group income of €72 million.

BALANCE SHEET

The main items of the balance sheet which totals €11,978 million are as follows:

- assets:
  - ALSTOM Holdings investments with total gross and net value of €9,216 million, and
  - advances to ALSTOM Holdings amounting to €2,738 million;
- liabilities:
  - outstanding bonds amounting to €276 million,
  - tax and social security liabilities (€85 million) out of which €82 million due to subsidiaries in accordance with the tax grouping agreements.

Shareholders' equity amounts to €11,569 million and is made of:

- capital: €2,014 million;
- share premiums: €414 million;
- reserves: €7,691 million;
- retained earnings: €1,212 million; and
- net profit of the period: €238 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 Auditor's 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 Auditor's 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 Auditor's 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 2009

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 2009:
- the audit of the accompanying annual financial statements of ALSTOM SA,
- the justification of our assessments,
- the specific verifications and information required by French 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 whether the financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 March 2009 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 the 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 net 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 estimates and the methodology used by Management to perform the impairment test as described in Note 7 – "Financial assets". As the data and assumptions on which those estimates are based are inherently uncertain, actual figures may differ from forecasts.

These assessments were thus made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION AND INFORMATION

We have also performed the specific verifications required by French law.

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 remunerations 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 the identity of the principal shareholders has been properly disclosed in the Management report.

Neuilly-sur-Seine, 5 May 2009

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 Auditor's special report in 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 2009

To the Shareholders,

In our capacity as Independent Auditors of your Company, we hereby report to you on regulated related-party agreements and commitments.

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR AND AFTER THE CLOSING DATE

In accordance with Article L. 225-40 of the French Commercial Code, we have been advised of the related party agreements and commitments which received prior authorization from your Board of Directors.

The terms of our engagement do not require us to identify such other agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments 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 and commitments for the purpose of approving them. We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body *(Compagnie nationale des Commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

With Mr Patrick Kron, Chairman and Chief Executive Officer

At its Meeting dated 4 May 2009, the Board of Directors acknowledged and approved the proposition made by Mr Patrick Kron, the Chairman and Chief Executive Officer, relating to the commitments discussed in Article L. 225-42-1 of th French Commercial Code and made to his benefit, as approved by the shareholders' meeting held on 24 June 2008, to waive all rights, in the event that his mandate terminated for any reason, to the receipt of any severance payment. The Board of Directors also acknowledged and approved his proposition to furthermore waive all rights to stock options and performance shares granted to him before the term of his mandate, the vesting rights of which, with respect to the stock options, or the rights to delivery of which with respect to the shares, are not yet definitively acquired as of the end of his term of office.

Consequently, the commitments undertaken with regard to Mr Patrick Kron with respect to stock options and performance shares are as follows:

In the event of termination of his mandate as initiated by either the Company or himself, the Chairman and Chief Executive Officer will only uphold the rights to exercise the stock options and the rights to the delivery of the performance shares granted subject to performance conditions before his term of office that will have been definitively vested as of the end of his term of office, following the fulfillment of the conditions set forth by the plan.

Upholding of stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which with respect to the shares, are not definitively acquired as of the end of his term of office, is excluded.

Supplemental retirement scheme commitment remains unchanged.

AGREEMENTS AND COMMITMENTS AUTHORIZED AND APPROVED DURING THE YEAR WHOSE EXECUTION HAS BEEN PURSUED DURING THE YEAR

In accordance with the French Commercial Code, we have been advised that the following agreements which were authorized and approved during the year and which remain current during the year.

With Mr 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 subjected the payment of such an indemnity to performance conditions. This agreement was approved by the shareholders meeting held on 24 June 2008.

On 4 May 2009, the Board of Directors acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all his rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment.

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.

This agreement was authorized by the Board of Directors in its meeting dated 6 May 2008 and approved by the shareholders meeting dated 24 June 2008. The Board of Directors held on 4 May 2009 acknowledged and approved the modification of theses commitments, following the proposition made by the Chairman and Chief Executive Officer, as described above in "Agreements and commitments authorized during the year and after the closing date".

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 8 times this ceiling, capped at €2 million. Since 1 January 2008, this capping is annualy 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 ended March 31, 2009 amounted to €21,462. With respect to the defined benefit plan, the payments assumed by ALSTOM at 31 March 2009 amounted to €1,918,238 including statutory retirement termination benefits.

This agreement was authorized by the Board of Directors in its meeting dated 6 May 2008 and approved by the shareholders meeting dated 24 June 2008.

AGREEMENTS AND COMMITMENTS AUTHORISED IN PRIOR YEARS AND WHICH REMAIN CURRENT DURING THE YEAR

In accordance with the French Commercial Code, we have also been advised that the following agreements which were approved in prior years remained current 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, 5 May 2009

The Independent Auditors

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

3 | RISK **FACTORS**

Risks in relation to market environment and Group activities

The section below presents the main risk factors, both specific to Alstom and to its market environment, and is part of the Board of Directors' report on the Group's management for fiscal year 2008/09, together with the section "Group activity".

Internal control and risk management procedures are described in section "Corporate governance – Chairman's Report pursuant to article L. 225-37 of the French Commercial Code" (the "Chairman's report"), which presents in particular the annual risk assessment process ("cartography of Group risks") and the internal control questionnaire ("self-assessment questionnaire").

MARKET ENVIRONMENT

Long-term evolution of Alstom's markets is driven by a variety of complex and inter-related external factors, such as economic growth, public policies on environment and public transportation, price and availability of the different sources of fuels. Short-term evolution of Alstom's markets are also driven by the current financing constraints, uncertainty on economic growth, particularly on future demand of electricity and the impact of government stimulus packages. Worldwide demand and key drivers for each Alstom's businesses, as well as Alstom assessment of the crisis short- and long-term impact on its activities are presented in section "Group Activity".

In addition the Group faces strong competition in its markets, both from large international competitors and local players. This competition on prices, tenders' quality, time to market, and customer service may result in a pressure on selling prices and payment terms. Alstom competitive position in its various businesses are described in section "Group Activity".

The Group believes it competes effectively in most of its markets and considers that a strong backlog as well as the measures it has taken, in particular for costs reduction, should enable it to face the current uncertain economic environment. These initiatives may proved to be insufficient, notably in case of a long lasting down turn of the world economy. Any unfavourable development of any of the aforementioned drivers may have a long-term adverse effect on Alstom's markets and as a consequence on its activity and financial situation.

CONTRACT EXECUTION

Alstom's business includes major long-term contracts. The revenue, cash flow and profitability of a long-term project may vary significantly in accordance with the progress of that project and depending on a variety of factors, some of which are beyond the Group's 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 Alstom is jointly liable, and unanticipated costs due to project modifications. Profit margins realised on certain of Alstom's contracts may vary from its 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 its contracts may significantly impact the Group income and cash flows in any given period.

Alstom has established strict risk control procedures applying from tendering to contract execution, in particular through its Corporate Risks Committee at the Group level and procedures implemented within the Sectors, as described in the Chairman's Report. However Alstom can give no assurance that these and other initiatives will be sufficient to avoid difficulties in the future, and certain of its projects may be subject to delays, cost overruns, or performance shortfalls which may lead to the payment of penalties or damages.

DESIGN AND USE OF COMPLEX TECHNOLOGIES

The Group designs, manufactures and sells several products of large individual value that are used in major infrastructure projects. Alstom is 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. It is sometimes necessary to fine tune or modify products after Alstom begins manufacturing them or after its customers begin operating them. Because Alstom produces some of its products in series, it may need to make such modifications during the production cycle.

At the same time, when it sells its products or enters into maintenance contracts, Alstom may be required to accept onerous contractual penalties, in particular related to performance, availability and delay in delivering its products, as well as after-sales warranties. Alstom's 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 Alstom's products may result in material un-anticipated 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.

In instances where such difficulties occur, Alstom cannot ensure that the total costs that it ultimately incurs will not exceed the amount that it has provisioned. Further, given the technical sophistication of its products, Alstom can give no assurance that it 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 Alstom's products to be less competitive than those of its competitors and have a material adverse impact on its results and financial position.

COSTS AND CONDITIONS TO ACCESS TO CERTAIN MANUFACTURED GOODS AND RAW MATERIALS

In the course of its business, Alstom uses 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 difficulties and delays in the delivery of certain manufactured goods and the significant volatility of raw materials prices, the Group cannot ensure that these elements will necessarily be fully reflected in contract prices thus potentially impacting the profitability of its contracts. Any unexpected unfavourable evolution in this area could create a negative pressure on margins and adversely affect Alstom's results. In addition, the financial and economic crisis has increased risks of failures of certain Alstom's suppliers. Although the Group has an advanced system to detect these failures, Alstom cannot ensure that it may not be affected by delays in deliveries or financial difficulties possibly encountered by its suppliers.

WORKING CAPITAL MANAGEMENT

The structure and long term of Alstom's projects results in payment of expenses before realisation of revenue. As a result, Alstom's ability to negotiate and collect customer advances is therefore an important element of its strategy, as it provides the Group with cash flow and allows it to manage its working capital. Conversely, any decrease in global orders intake volume could materially impact working capital evolution. Additional information regarding customer deposits and advances are given in Notes 17 and 18 to the consolidated financial statements for the fiscal year ended 31 March 2009. A material degradation of the working capital may adversely impact the Group's financial situation and its liquidity.

MANAGEMENT OF HUMAN RESOURCES

There is significant competition in the employment market with respect to the highly qualified managers and specialists, which are needed by Alstom's businesses. The success of development plans will depend in part on the Group's ability to retain its employee base and recruit and integrate additional managers and skilled employees. The Group can give no assurance that it will be successful in developing and retaining its employee base as needed to accompany its business development.

Risks in relation to financial markets

CURRENCY EXCHANGE, INTEREST RATE, CREDIT AND LIQUIDITY

The Group is exposed mainly to currency exchange risks. The Note 27 to the consolidated financial statements for the fiscal year ended 31 March 2009 presents the Group exposure and sensitivity to currency exchange and interest rate risks, as well as the management policy of these risks. Detailed information on the Group financial debt amounting to €1,356 million as of 31 March 2009 is also given in Note 26 to the consolidated financial statements for the fiscal year ended 31 March 2009.

In addition to its cash available, €2,943 million as of 31 March 2009, the Group has a €1 billion revolving credit facility (the "Credit Facility") maturing in March 2012 and extended for €942 million up to March 2013, which is fully undrawn. Pursuant to its bonds and guarantees programmes, the Group has a committed facility allowing the issuance of bonds and guarantees up to €8 billion up to July 2010 with an outstanding amount of €2.4 billion as of 31 March 2009 (the "Master Facility Agreement") as well as bilateral lines for €5.1 billion as of 31 March 2009.

The Credit Facility and the Master Facility Agreement are subject to financial covenants disclosed in Note 27 to the consolidated financial statements for the fiscal year ended 31 March 2009. Alstom complies with these covenants as at 31 March 2009 and does not anticipate any particular difficulty continuing to comply with these covenants. Alstom is rated by two rating agencies (Moody's and Standard & Poor's). As of today the Group believes it has no major risk so as to access financial markets, if needed. However the degradation and instability of financial markets renders it difficult to foresee their evolution. Alstom can therefore give no assurance that its financial situation and rating will enable it to continue to access markets at equivalent conditions, in particular financial.

Additionnal information are presented in the Chairman's report regarding the specific management of financial risks.

DEFINED BENEFIT PENSION PLANS

Pursuant to certain of Alstom's defined benefit schemes, notably in the United Kingdom and the United States, Alstom is 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. The Group 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, in particular actual performance of plans assets, were to materially differ from these assumptions the funded status of the Group plans could be significantly higher or lower. Over fiscal year 2008/2009, the deterioration and instability of financial markets resulted in a strong decrease in the fair value of plan assets, partially offset by a decrease in pension obligations, but nonetheless overall deteriorating the funded status of the Group plans (€952 million at 31 March 2009 vs. €750 million at 31 March 2008).

Further details on the methodology used to assess pension assets and liabilities together with the annual pension costs are included in Notes 3.U and 25 to the consolidated financial statements for the fiscal year ended 31 March 2009.

The Pension Committee supervises and monitors pension plans and other employee benefits as described in the Chairman's report.

Legal risks

This section is to be read in relation with the Note 30.B to the consolidated financial statements for the fiscal year ended 31 March 2009.

DISPUTES IN THE ORDINARY COURSE OF BUSINESS

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.

ALLEGATIONS OF ANTI-COMPETITIVE ACTIVITIES AND ILLEGAL PAYMENTS

The Group is subject to procedures for alleged anti-competitive practices described in Note 30.B to the consolidated financial statements for the fiscal year ended 31 March 2009. Any adverse development of these investigations and procedures may have a material adverse impact on the Group reputation, as well as on its results and financial position due notably to the significant amount of fines that can be ordered in this area.

Certain current and former employees of the Group have been or are currently being investigated with respect to alleged illegal payments in various countries. In particular investigations by Swiss and French authorities are ongoing in connection with alleged cases of corruption. Certain of these procedures may result in fines and the exclusion of Group subsidiaries from public tenders in the relevant country for a defined period.

The Group has taken measures to ensure compliance with all laws and regulations, and in particular those relating to competition rules and prohibited payments. As part of this objective, the Group widely communicates the Alstom 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 2008/09, Alstom has also continued to conduct several training programmes for a continuous improvement of employees awareness towards potential risks linked to illegal activities and for the communication of appropriate and practical individual behaviours to be followed up in the day to day professional life.

The Group internal control rules and procedures to control the risks linked to illegal activities have been constantly reinforced over the last years. Alstom actively strives to ensure that it appropriately addresses any problems that may arise. However, given the extent of its activities worldwide, Alstom cannot be assured that such difficulties will not arise or that such difficulties will not have a material adverse effect on its reputation and/or our results and financial situation position.

For more information on the internal control system put in place within the Group, the Alstom Code of Ethics and the measures taken by the Ethics & Compliance Department, see section "Corporate Governance – Chairman's report pursuant to article L. 225-37 of the French Commercial Code – Internal control and risks management procedures report".

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 and the United States, which are described in Note 30.B to the consolidated financial statements for the fiscal year ended 31 March 2009.

PRIVATE CLASS ACTION IN THE UNITED STATES

Detailed information regarding a private class action law suits alleging 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 between 1999 and 2003 is given in the Note 30.B to the consolidated financial statements for the fiscal year ended 31 March 2009.

Risks in relation to disposals, acquisitions and other external growth operations

The Group has disposed of a large number of its businesses and may continue to dispose some of them. As is customary, it has made and will make certain warranties regarding the businesses being sold. In some cases the Group has retained certain contracts and liabilities. As a result it 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 the Group's results and financial position. In particular, the Group has received claims, some of which involving significant amounts, following the disposal of its former T&D and Marine Sectors. Certain claims regarding Alstom former T&D Sector in relation to investigations by competition authorities, including the European Commission, are exposed in Note 30.B to the consolidated financial statements for the fiscal year ended 31 March 2009.

As part of its development strategy, Alstom has 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 the Group has 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 Alstom's no or insufficient protection from the seller or partner.

Environmental, health and safety risks

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 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 exposes 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. Alstom's facilities must comply with these permits, licences or authorisations and are subject to regular inspections by competent authorities.

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 expenditures 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 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.

The outcome of environmental, health and safety matters cannot be predicted with certainty and there can be no assurance that the Group will not incur any environmental, health and safety liabilities in the future and it cannot guarantee that the amount that it has 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. The Group has booked provisions of €17 million to cover environmental risks.

The environmental, health and safety risks management policy is presented in section "Corporate governance – Chairman's report pursuant to article L. 225-37 of the French Commercial Code – Internal control and risk management procedures report".

Insurance

The Group 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 Alstom's estimation of the maximum foreseeable loss, both for Property Damage & Business Interruption and Civil Liability Insurance.

This estimate is made within the framework of Industrial Risk Management Audits that are conducted for property damage and business interruption. For civil liability, the estimation of insurance needs depends on the evaluation of the maximum legal risk considering the various Group activities. The annual risks assessment process which results in the Group cartography of risks, has allowed the Group to confirm that the appropriate level of insurance was purchased for insurable risks. For more information see also section "Corporate governance – Chairman's report pursuant to article L. 225-37 of the French Commercial Code – Internal control and risk management procedures report".

The main risks covered are the following, subject to certain customary limitations, exclusions and declarations in relation of each type of insurance:
- property damage and business interruption caused by fire, explosion, natural events or other perils as well as machinery breakdown;
- liability incurred because of damage caused to third parties by our operations, products and services;
- transit, covering transportation risks from start to discharge of goods at warehouse, construction site or final destination; and
- construction and installation, covering risks during execution of contracts.

In addition to Group policies, Alstom purchases, in the various countries where it is present, policies of insurance of a mandatory nature or designed to cover specific risks such as automobile, worker's compensation or employer's liability.

The presentation below is a summary of the main Group insurance policies in effect as of 31 March 2009, and does not reflect all applicable restrictions and limits. 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;
- the policy is in force in all countries where the Group has significant industrial sites with the exception of India and China, where specific policies are in place.

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 its 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.

Reinsurance

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.

The amount of the main Group policies represents approximately 0.4% of the annual consolidated sales for fiscal year 2008/09.

4 | CORPORATE GOVERNANCE

For many years, the Company has committed itself to carrying out the corporate governance principles published by the AFEP and the MEDEF.

The corporate governance code to which the Company abides is the AFEP-MEDEF corporate governance code dated December 2008.

In its first section, which is dedicated to Corporate Governance, the Chairman of the Board of Directors' report, as presented below pursuant to Article L. 225-37 of the French Commercial Code, presents the decisions made by the Board of Directors in that respect.

Chairman's report pursuant to article L. 225-37 of the French Commercial Code

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors presents, in this report for the fiscal year ended on 31 March 2009, the composition of the Board of Directors, the corporate governance code to which the Company abides, the conditions for the preparation and organisation of the Board of Directors' duties, the limitations that the Board can impose on the Chief Executive Officer's powers, the principles and rules set by the Board to determine the compensation and benefits of any kind to be paid to the Company's Executive and non-Executive Directors (*"mandataires sociaux"*), other disclosure required pursuant to Article L. 225-37 of the French Commercial Code, as well as the internal control and risk management procedures implemented by the Company at the Group level.

This report was reviewed and approved by the Board of Directors at its meeting held on 4 May 2009, after the Audit Committee reviewed the chapter relating to the internal control and risk management procedures, and after the Nominations and Remuneration Committee reviewed the chapter relating to Corporate Governance.

In a report attached to their general report, the Independent Auditors will present their observations on the content of this report, and more specifically on the internal control procedures relating to the preparation and the processing of accounting and financial information and on the compliance with the disclosure of other information required pursuant to Article L. 225-37 of the French Commercial Code.

CORPORATE GOVERNANCE AND EXECUTIVE AND NON-EXECUTIVE DIRECTORS' COMPENSATION REPORT

Representatives of the Legal Department, the Human Resources Department, and the Finance Department contributed to the drafting of this section.

Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

As of 4 May 2009, 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. The terms of office have not been staggered and the renewal of such terms of office is distributed over three consecutive years.

Pursuant to the Board's internal rules, each Director shall hold at least 250 shares. The number of shares effectively held is, generally speaking, significantly higher than 250. As of 31 March 2009, 211,745 total Company shares were held by individual Directors and 86,143,867 shares were held by Bouygues SA.

Over the course of the fiscal year ended on 31 March 2009, the Ordinary and Extraordinary shareholders' meeting held on 24 June 2008 renewed, for a four-year period, the mandates of Mr Jean-Paul Béchat, Mr Pascal Colombani and Mr Gérard Hauser as Directors, and ratified the appointment of Bouygues SA to replace Mr Olivier Poupart-Lafarge. Mr Philippe Marien has been designated as permanent representative of Bouygues to the Board of Directors.

No appointment will be submitted to the Ordinary and Extraordinary Shareholders' Meeting convened on 23 June 2009.

Name	Title	Age	Independent director	Committees: Audit	Committees: Nominations & Remuneration	First Term Start	Current Term End	Years on Board	Experience
Patrick Kron	Chairman and Chief Executive Officer	55				2003	2011	8	Industry
Jean-Paul Béchat	Member of the Board of Directors	66	√	√		2001	2012	8	Industry
Candace K. Beinecke	Member of the Board of Directors	62			√	2001	2011	8	Law
Olivier Bouygues	Member of the Board of Directors	58			√	2006	2010	3	Industry
Georges Chodron de Courcel	Member of the Board of Directors	59		√		2002	2010	7	Bank, Finance
Pascal Colombani	Member of the Board of Directors	63	√	√		2004	2012	5	Industry, Technology
Jean Martin Folz	Member of the Board of Directors	62	√	√		2007	2011	2	Industry
Gerard Hauser	Member of the Board of Directors	67	√		√	2003	2012	6	Industry
James W. Leng	Member of the Board of Directors	63	√		√	2003	2011	6	Industry
Klaus Mangold	Member of the Board of Directors	65	√		√	2007	2011	2	Industry
Philippe Marien	Member of the Board of Directors	53		√		2008	2010	1	Finance
Alan Thomson	Member of the Board of Directors	62	√	√		2007	2011	2	Finance

INFORMATION ON THE BOARD MEMBERS

The information provided below also constitute the information of the Board of Directors' Report to the shareholders' meeting requested by the paragraph 4 of Article L. 225-102-1 of the French Commercial Code.

PATRICK KRON

55 years.
Nationality: French.
Professional address:
ALSTOM – 3 avenue André Malraux – 92300 Levallois-Perret (France).

Principal function: Chairman and Chief Executive Officer of ALSTOM.

End of current mandate: AGM 2011.
First mandate: 2001-2007.

Holds 197,011 ALSTOM shares.

Other current directorships and positions:

In France:
Director of Bouygues;
Director of the choral Society "Les Arts Florissants".

Within the Alstom Group:
Chairman of ALSTOM Resources Management.

In foreign countries:
Within the Alstom Group:
Director of ALSTOM UK Holdings 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 Pechiney 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 Pechiney, first managing a group of activities in the processing of aluminium and eventually as President of the Electrometallurgy Division. In 1993, he became a member of the Executive Committee of the Pechiney 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 Pechiney 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

66 years.
Nationality: French.
Professional address:
ARSCO – 91, rue du Faubourg Saint-Honoré – 75008 Paris (France).

Principal function: Manager of ARSCO.

End of current Mandate: AGM 2012.
First mandate: 14 May 2001 – 9 July 2004.
Second mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Chairman of the Audit Committee.

Holds 3,900 shares.

Other current directorships and positions:

In France:
Director and Chairman of the Audit Committee of Atos Origin;
Director of Sogepa;
Member of the Board and Office of GIFAS;
Member of the Board and Office of UIMM.

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, then Chairman of the Management Board when the Group evolved as Safran until August 2007. Mr Béchat is Honorary Chairman and member of the Board of GIFAS. He is member of the Board of UIMM. He is also member of the Boards of Atos Origin and 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). Mr Béchat is Officer of the *"Légion d'honneur"* and "Officer of the National Order of Merit".

CANDACE K. BEINECKE

62 years.
Nationality: American.
Professional address:
Hughes Hubbard & Reed LLP – One Battery Park Plaza, New York, NY 10004-1482 (United States).

Main function: Chair of Hughes Hubbard & Reed LLP.

Expiry of current mandate: AGM 2011.
First mandate: 24 July 2001 – 26 June 2007.

Member of the Nominations and Remuneration Committee.

Holds 600 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;
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, 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

58 years.
Nationality: French.
Professional address:
Bouygues – 32, avenue Hoche – 75378 Paris cedex 08 (France).

Principal function: Deputy Chief Executive Officer of Bouygues.

End of current mandate: AGM 2010 (appointed on 28 June 2006).

Member of the Nominations and Remuneration Committee.

Holds 2,000 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 Bouygues;
Standing representative of SCDM, Chairman at the Board of SCDM Energie, SCDM Investur, SCDM Investcan;
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:
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 2002, Olivier Bouygues was appointed Deputy Chief Executive Officer of Bouygues.

GEORGES CHODRON DE COURCEL

59 years.
Nationality: French.
Professional address:
BNP Paribas – 3, rue d'Antin – 75002 Paris (France).

Principal function: Chief Operating Officer of BNP Paribas.

End of current mandate: AGM 2010.
First mandate: 3 July 2002 – 28 June 2006.

Member of the Audit Committee.

Holds 982 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);

Past directorships (held during the past-five years):

In France:
Member of the Supervisory Board of Sagem, 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:
Director of BNP Paribas Canada;
Director of BNP Paribas Prime Peregrine Holdings Limited (Malaysia);
Director of BNP Paribas Suisse SA (Switzerland);
Chairman and Director of BNP Paribas UK Holdings Limited;
Director of BNL (Italy).

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 August 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

63 years.
Nationality: French.
Professional address:
A.T. Kearney – 44, rue de Lisbonne – 75008 Paris (France).

Principal function: Senior Advisor of A.T. Kearney.

End of current mandate: AGM 2012.
First mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Member of the Audit Committee.

Holds 600 shares.

Other current directorships and positions:

In France:
Senior Advisor of A. T. Kearney;
Senior Advisor of Détroyat Associés;
Non-executive Chairman of the Board of Directors of Valeo;
Non-executive Director of Rhodia;
Non-executive Director of Technip;
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 until December 2002, 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 non-executive Chairman of the Board of Directors of Valéo and member of the Boards of British Energy Group plc, Rhodia and Technip. 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

62 years.
Nationality: French.
Professional address:
AFEP – 11, avenue Delcassé – 75008 Paris (France).

Principal function: Chairman of Association Française des Entreprises Privées (AFEP).

End of mandate: AG 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Audit Committee.

Holds 1,000 shares.

Other current directorships and positions:

In France:
Director of Saint-Gobain;
Director of Société Générale;
Director of Carrefour;
Member of the Supervisory Board of Axa;
Member of the Supervisory Board of ONF Participations (SAS).

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.

GÉRARD HAUSER

67 years.
Nationality: French.
Professional address:
Nexans – 16, rue de Monceau – 75008 Paris (France).

Principal function: Chairman and Chief Executive Officer of Nexans.

End of current mandate: AGM 2012.
First mandate: 11 March 2003 – 9 July 2004.
Second mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 3,002 shares.

Other current directorships and positions:

In France:
Chairman and Chief Executive Officer of Nexans;
Director of Technip;
Director of Ipsen;
Chairman of Supervisory Board of Stromboli Investissement (SAS).

In foreign countries:
–

Past directorships (held during the past five years):

In France:
Director of Aplix;
Director of Faurecia.

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 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

63 years.
Nationality: British.
Professional address:
AEA Investors (UK) Limited – 78 Brook Street – London, W1K 5EF (United Kingdom).

Principal function: Deputy Chairman of Tata Steel Limited.

End of current mandate: AG 2011.
First mandate: 18 November 2003 – 26 June 2007.

Independent Director.
Chairman of the Nominations and Remuneration Committee.

Holds 1,150 shares.

Other current directorships and positions:

In France:
–

In foreign countries:
Deputy Chairman of Tata Steel Limited;
Chairman of Doncasters Group Limited;
Non-Executive Director of TNK-BP Limited;
Director of Pregis Holding I Corporation;
Director of Pregis Holding II Corporation.

Past directorships (held during the past-five years):

In France:
–

In foreign countries:
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 Hanson plc (1 June 2004 – 24 August 2007);
Deputy Chairman of Corus Group plc (22 April 2002 – 23 January 2008);
Non-Executive Director of Corus Group plc (12 June 2001 – 23 January 2008);
Chairman of Corus Group plc (1 June 2003 – 23 January 2008);
Chairman of Tata Steel UK Limited (21 January 2008 – 21 November 2008);
Nominated Executive of Convenience Food Systems (7 July 2004 – 15 January 2009);
Non-Executive Director of Rio Tinto plc (14 January 2009 – 7 February 2009);
Non-Executive Director of Rio Tinto Limited (14 January 2009 – 7 February 2009);
Chairman of Tata Steel Europe Limited (14 November 2008 – 31 March 2009).

Biography:

Mr James W. Leng is also Deputy Chairman of Tata Steel limited, Chairman of Doncasters Group Limited and Non-Executive Director of TKN-BP Limited. He was the Chairman of Tata Steel UK Limited (Corus) from 2003 until March 2009 and 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

65 years.
Nationality: German.
Professional address:
Daimler AG – Siemenstraße 7 – 70469 Stuttgart (Germany).

Principal function: Chairman of the Advisory Board of Rothschild Gmbh (Frankfurt).

End of current mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 500 shares.

Other current directorships and positions:

In France:
–

In foreign countries:
Member of the Board of Directors of Chubb Group of Insurance Companies, USA;
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;
Member of Board of Directors of Magna International Inc., Canada.

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. 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

62 years.
Nationality: British.
Professional address:
Bodycote plc – Springwood Court, Springwood Close, Tytherington Busines Park, Macclesfield, Cheshire, SK10 2XF (United Kingdom).

Main function: Chairman of Bodycote plc.

End of current mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Audit Committee.

Holds 1,000 shares.

Other current directorships and positions:

In France:

–

In foreign countries:

Chairman of Bodycote plc (U.K.);
Senior Independent Director of Johnson Matthey plc (U.K.).

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 Chief Executive Officer of Rockwell International SA 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 was elected Chairman of Bodycote plc, a quoted engineering company, in April 2008. He is also the Senior Independent Director of Johnson Matthey plc, a UK quoted company specialised in Precious metals and Environmental catalysts. Mr Alan Thomson is Senior Vice President and also a Council member of the Institute of Chartered Accountants of Scotland.

PHILIPPE MARIEN

53 years.
Nationality: French.
Professional address:
Bouygues – 32, avenue Hoche – 75378 Paris cedex 08 (France).

Principal function: Chief Financial Officer of Bouygues group.

Member of the Audit Committee.

Designated by Bouygues Company as its permanent representative.

End of Bouygues' mandate: AGM 2010 (appointment on 18 March 2008 ratified by the 24 June 2008 AGM).

BOUYGUES SA

French Société Anonyme with a share capital of €342,818,079.
Head Office: 32, avenue Hoche – 75378 Paris cedex 08 (France).

Holds 86,143,867 shares as of 31 March 2009.

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 C2S;
Director of Bouygues Immobilier;
Director of 32 Hoche.

Past directorships and positions (held during the past-five years):

In France:
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);
Director of Société Technique de Gestion (SOTEGI) (14 April 2003 – 7 April 2008);
Director of Bouygues Bâtiment International (10 June 1999 – 28 November 2008);
Director of Bouygues Travaux Publics (10 June 1999 – 28 November 2008);
Director of Bouygues Bâtiment Île-de-France (28 May 2003 – 28 November 2008);
Director of CATC (21 May 1996 – 8 April 2008).

ADDITIONAL INFORMATION

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 or its subsidiaries 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, 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.

EVALUATION OF THE DIRECTORS' INDEPENDENCE

According to the AFEP-MEDEF Code and as set forth in the Board of Directors' Internal Rules, the Board of Directors re-examines annually the situation of each Director in the light of the independence criteria. The Board meeting of 4 May 2009 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 Code 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 Code 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 the Alstom Group (which represented less than 1% of Nexans revenues in 2008), a relationship that the Board judged non-material, (ii) the fact that a Company Director is also a Corporate Officer of Nexans, and (iii) the fact that Mr Gérard Hauser was appointed as Director of a company in which another Company Director is a director. None of these elements were considered of the type to affect his freedom of judgment.

After having taken into account the fact that Mr Pascal Colombani is Director of a company in which a former Director of ALSTOM (for less than five years) is also a Director, and that he is a Director for a company in which an ALSTOM Director has just recently been appointed as 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 the level of commercial relationship between the Group and a company of which is a Corporate Officer represents less than 5% of the annual revenues of this company and that 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 who is Delegated Chief Executive Officer of 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 out of twelve as independent, which corresponds to the proportion of one half recommended by the AFEP-MEDEF Code for those companies with a widely spread share capital and to the rule adopted by the Board set forth in its Internal Rules.

RULES OF CONDUCT

Director's Chart

Attached to the Board of Directors' Internal Rules is the Director's Chart, defining the Directors' rights and obligations, and the content of which is for the most part compliant with the recommendations of the AFEP-MEDEF Code. Such Chart has been modified by the Board of Directors on 28 March 2007 after the annual review of its Internal Rules 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.

The Company has been operating, since the time of its flotation in accordance with a **Code of conduct on insider trading designed to prevent insider trading which** defines the situations in which certain individuals must refrain from carrying out transactions involving the Company's shares. These principles are also contained in the Group's Code of Ethics presented in the second part of this report.

This Code of conduct for the prevention of insider trading, updated in October 2006 and approved by Board of Directors, applies to the Directors, officers and employees of the Group.

Pursuant to this Code, 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.

The prohibitions do not apply to the subscription of shares through the exercise of stock options so long they are not followed by the sale of such acquired shares.

The Board Internal Rules, as well as this Code, also remind the Executive and non-Executive Directors of their **legal obligations to notify the transactions on the Company's securities** completed either by them or by persons close to them.

Code of corporate governance

The Board of Directors confirmed that the AFEP-MEDEF corporate governance code of December 2008 for listed companies that includes the October 2008 recommendations on the remuneration of Executive Directors represents the corporate governance code applicable to the Company for the purpose of this report (the "AFEP-MEDEF Code"). This code is available on the MEDEF internet site (www.medef.fr) and on the Company internet site (www.alstom.com-About us).

At its meeting held on 5 November 2008, the Board of Directors adhered to the AFEP-MEDEF recommendations on remuneration dated 6 October 2008 that are applicable to Executive Directors ("dirigeants mandataires sociaux"), noted that almost all of them were already implemented and decided that the additional provisions considered necessary would be set at a later date.

Ever since 2006, in March of each year the Board of Directors undertakes a formal review of the Company's corporate governance practices. It undertook this annual review during its meetings held on 18 March and 4 May 2009.

During its meeting held on 4 May 2009, the Board of Directors reviewed the matters related to the remuneration of the Executive Director and made the following decisions:

EXECUTIVE DIRECTOR SEVERANCE PAYMENT

The Board of Directors and the Nominations and Remuneration Committee acknowledged and approved the proposition made by the Chairman and Chief Executive Officer, to waive all rights, in the event of a termination of his mandate for any reason, to receipt of any severance payment.

STOCK OPTIONS AND PERFORMANCE SHARES

- Each future combined allocation of stock options and shares subject to performance conditions for the benefit of the Chairman and Chief Executive Officer shall not exceed a certain percentage of his remuneration and of the overall amount authorized by the shareholders' meeting. The Board of Directors set the principle of these limits, the final terms of which will be set at the time of the allocation. As such, the Board of Directors estimated that the IFRS 2 value of the allocation should be capped at one year of fixed and targeted variable remuneration, the latter of which corresponds to the remuneration obtained when accomplishments are strictly compliant with set objectives. The Board of Directors also considered that the allocation could not exceed neither 1% of the overall amount authorised by the shareholders' meeting, nor 5% of the total amount allocated under an annual plan (calculated, as the case may be, according to a stock options equivalency in the event of a combined allocation of stock options and performance shares).
- In consideration of any new allocation of performance shares, the Chairman and Chief Executive Officer must undertake the acquisition of a set quantity of shares in accordance with the terms set forth by the Board of Directors at the time of the allocation. The Board of Directors approved the Nominations and Remuneration Committee's recommendation relative to the acquisition by the beneficiary of a number of shares equivalent to 25% of the performance shares delivered. The Chairman and Chief Executive Officer must also comply with the holding requirements set for each allocation (see page 164).
- The Board of Directors made note of the existence of a specific profit-sharing scheme covering more than 98% of the employee base of the Group's French subsidiaries; it decided that the provisions of law No. 2008-1258 of 3 December 2008 relative to employment

income would be made applicable to subsequent allocations carried out pursuant to an authorisation granted by a shareholders' meeting convened after 4 December 2008.
- The Board of Directors and the Nominations and Remuneration Committee also acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to furthermore waive, in the event his mandate is terminated for any reason, all rights to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office.

The Board of Directors noted that Patrick Kron's mandate as corporate officer was not combined with an employment contract.

The Board of Directors held on 18 March 2009 acknowledged the commitment made by the Chairman and Chief Executive Officer to refrain, over the course of his term in office, from using risk coverage instruments with respect to stock options or performance shares that have been and will be allocated to him.

The Board of Directors also decided to modify the Board and Committees' internal rules in order to take into account the evolution of regulations, the recommendations of the AFEP-MEDEF Code, and to formalise or provide more details on current practices. These changes relate, in particular, to the Audit Committee's internal rules.

The Board of Directors concluded that the Company was seeking to conform to the recommendations of the AFEP-MEDEF Code and that it did not notice the existence of any deviation from these recommendations.

Conditions of preparation and organisation of the work of the Board of Directors

ORGANISATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

Internal Rules

The procedures governing the organisation and functioning of the Board of Directors are defined by the Internal Rules 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 were incorporated on 18 March 2009 upon recommendations of the Nominations and Remuneration Committee.

The Internal rules as amended notably state that the Board of Directors:
- shall 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 approve before implementation organic growth investments in an amount higher than €250 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy;
- shall be kept regularly informed of developments in the Group's Business activities and results, the Group's significant risks, 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 Executive and non-Executive Directors ("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 published in the Company's annual report on its practices and structure of corporate governance, including the presentation of the policy that is followed with respect to the remuneration of Executive and non-Executive Directors.

The Board shall examine its operation at least once a year and implement a formal assessment every three years.

In practice, the Board implement a formal assessment of its functioning and of the Committees' functioning annually.

A minimum of five meetings are 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 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 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, 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 also 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. Given the travelling requirements foreign Directors are faced with, Committee meetings are usually, subject to certain exceptions, held the day prior to Board meetings, on the basis of documents that have already been sent to participants (generally speaking, a week before the meeting). However, with respect to the approval of the financial statements for the 2008/09 fiscal year, the Audit Committee met several days before the Board meeting.

The composition, the powers and the procedures of each Committee are also defined by Internal Rules put forward by each Committee involved and approved by the Board of Directors. Each Committee reviews every year its Internal Rules and can submit any modifications that it considers appropriate to the Board.

A Director's experience and skills are taken into account as selection criteria in deciding on his or her presence on a given Committee.

According to the Audit Committee Internal Rules, the Committee shall consist of at least three members of whom at least two-thirds must be independent Directors including the Chairman of the Committee. As for the Nominations and Remuneration Committee, the Rules recommend that it shall consist of at least three members and that at least a majority of the Committee's members are independent among whom the Chairman of the Committee who 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).

The Internal Rules of the Board of Directors and its Committees and the Director's Charter appended to the Board Internal Rules of which large extracts are provided herein, are available on the Alstom Internet site (www.alstom.com-About us).

ANNUAL 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, 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 in May 2009. The possibility of resorting to the services of an outside consultant for the purposes of evaluating the operation of the Board and its Committees is considered and debated annually in March. The Nominations and Remuneration Committee as well as the Board of Directors held on 17 and 18 March 2009 respectively, found that the self-evaluation process conducted to this day was a quality procedure that the Company would maintain for the assessment to be conducted in respect of the 2008/09 fiscal 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, 2007 and 2008 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. In 2008, the meeting, the industrial site visits and presentations took place in Spain.

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.

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.

Over the course of the 2008/09 fiscal year, the Chairman undertook to increase the amount of information pertaining to important matters that is sent to Directors from one Board meeting to the next, and to meet expectations expressed by Directors during the annual evaluation carried out in May 2008 following which the Directors confirmed that the Board was fully attaining its goals.

As such, an additional Board meeting was dedicated to the Group's growth strategy and a more in-depth presentation of the Group's position and its main challenges and actions regarding human resources policies was made by the Manager of the Human Resources Department. The human resources evaluation process, as well as succession plans, were presented.

In May 2009, Board members reaffirmed their positive view on the quality of the Board's functioning and dynamics, and the achievement of the Board's objectives. Members also expressed their will to keep focussing on strategic matters and sustained training of the members.

ACTIVITY REPORT OF THE BOARD FOR FISCAL YEAR 2008/09

The Board of Directors met five times during the fiscal year (seven times during the previous fiscal year). The average attendance was 95% in 2008/09, whereas it was 92% in 2007/08.

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 2007/08, the consolidated accounts for the first half of the fiscal year 2008/09, as well as the related management reports. The Board reviewed the draft press releases on these accounts before their publication.

At the time it reviewed the accounts and also regularly, the Board continued to review the financial situation of the Group, the evolution of the cash flow and debt and bonding lines situation. The Board received information on the significant risks faced by the Group and the action plans launched. A report on the development of the Group's activities has been presented at each meeting.

The new organisation of human resources as well as the Group's social policies were presented in detail in June 2008.

In September 2008, a Board of Directors' meeting was held in Spain and gave rise to additional presentations on the Group's growth strategy as an extension of the three-year strategic plan that had been reviewed over the course of the previous fiscal year, as well as to the detailed presentation of the Group's business activity in this country.

In March 2009, during its annual meeting attended by the Sector's Presidents and the Vice President Head of Strategy, the Board reviewed and approved the 2009/10 budget and the three-year plan 2009/2012; it also discussed the Group's short term strategy in the different business Sector during this annual session. In addition, it reviewed the update of the risk map produced for each business line and for the Group, and was kept abreast of the plans of action in place to face such risks.

During the financial year, the Board of Directors also:

- was kept regularly informed and discussed in particular at the time of approval of accounts, the main legal proceedings and investigations involving the Group;
- discussed and approved the description of the main risks faced by the Group which were included in the Company's 2007/08 Annual Report/Registration Document;
- received information on the organisation of the Ethics & Compliance function, its actions plan and its compliance procedures implemented to prevent corruption;
- approved investment operations and renewed the financial delegation of powers to the Chairman and Chief Executive Officer for the issue of bonds;
- adopted in May 2008 the resolutions and the documents required by law concerning the Annual General Meeting and submitted to the Annual General Meeting the split by two of the par value share;
- also in May 2008, 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 2007/08 Annual Report/Registration Document before its filing with the AMF ("Autorité des marchés financiers");
- discussed several times the evaluation of the application by the Company of the AFEP-MEDEF corporate governance principles presented by the Nominations and Remuneration Committee's and decided the additional measures to be taken to be in compliance with the consolidated AFEP-MEDEF Code of December 2008;
- determined, in May 2008, the amount of the Chairman and Chief Executive Officer's variable compensation for fiscal year 2007/08 based the achievement of the financial and personal objectives and on the terms of calculation previously set by the Board. The Board also fixed the objectives for the determination of his variable compensation for fiscal year 2008/09 and the basis for its calculation depending on the achievements;
- decided, in September 2008, as proposed by the Nominations and Remuneration Committee, on the implementation of the "Alstom Sharing 2009" employee shareholding plan offered to current and former employees of the Group located in 22 countries, and the allocation of a new long term incentive plan combining the allocation of stock options and the free allocation of performance shares both conditional upon the achievement of the Group's financial objectives in the 2010/11 fiscal year and subject to attendance requirements within the Group. The Board also defined, pursuant to the Committee's proposal, the amount of the allocation to the Chairman and Chief Executive Officer under this plan and 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 plan;
- reviewed the Chairman and Chief Executive Officer's performance during its annual meeting outside of his presence held in March.

The Board of Directors also authorised, in May 2008, the compliance of the severance payment that could be owed to the Chairman and Chief Executive Officer in the event that his duties are terminated, with the provisions of Article L. 225-42-1 of the French Commercial Code as amended by law No. 2007-1223 of 21 August 2007 relative to the regulated agreements procedure.

At its meeting dated 4 May 2009, the Board of Directors acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment. The Board of Directors also acknowledged and approved his proposition to furthermore waive all rights to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office.

The Committees' Chairmen submitted their Committee work reports to the Board for discussion.

The Independent Auditors were invited to the two Board meetings dedicated to the review and approval of the annual and half-yearly accounts.

AUDIT COMMITTEE

The **Audit Committee**, formed in 1998, 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 et Mr Alan Thomson.

Four members out of six are independent, including the Chairman. This corresponds to the two-thirds of Directors recommended by the AFEP-MEDEF Code.

Three members of the Committee have specific expertise in financial or accounting matters.

Duties

Acting under the exclusive and collective authority of the Board of Directors, the general purpose of the Committee is to assist the Board of Directors in overseeing issues relating to the development and management of financial and accounting information. In particular, the Committee is responsible for monitoring (i) the process according to which the financial information is developed, (ii) the efficiency of internal controls and risk management systems, (iii) the legal auditing of annual account statements and consolidated account statements as carried out by the external auditors, and the independence of such external auditors.

In fulfilling its role, as stated in its Internal rules as amended on 18 March 2009, the Committee is responsible for the following:
- to review the scope of consolidation and examine all draft consolidated and corporate financial statements and related reports which will be submitted to the Board for approval and to discuss them with Management and the external auditors;
- to review with Management and the external auditors the generally accepted accounting principles used in the preparation of the accounts including the review of alternative accounting principles, as well as any change in accounting principles, methods or rules while ensuring that such principles are still relevant;
- to examine and monitor the production process and the treatment of financial and accounting information used in the preparation of account statements;
- to evaluate the validity of the methods chosen for processing significant transactions as well as those transactions through which a conflict of interest could have occurred;
- to examine Management's presentation on risk exposure (including legal risks) and significant off-balance sheet commitments and contingencies at the time of the Committee's review of the accounts;
- to review and evaluate at least annually, the efficiency of internal control procedures and risk management procedures in place, including those associated with the development and treatment of financial and accounting information; the Committee ensures that the main risks are identified and managed, and that it is kept informed of their existence and status;
- to examine and review, on an annual basis, the organization and operation of the internal audit; the Committee approves the internal audit program, monitors its development and the results of its plans of action;
- to review with the external auditors the nature, scope, and results of their audit and work performed, and to review their comments and suggestions, in particular those relating to internal control and risk management procedures, to accounting practices and to the internal audit program;
- to examine and provide the Board of Directors with its opinion on the Chairman of the Board of Director's draft report to shareholders at the general shareholders' meeting on the internal controls and risk management procedures implemented by the Company;
- to review and control the call for tenders procedure associated with the selection of external auditors and provide the Board of Directors with a recommendation on the external auditors proposed for appointment by shareholders at the general shareholders' meeting and on the amount of fees that the Company intends to pay them;
- to approve the External Audit Charter governing relations with the external auditors and examine, on an annual basis, the amount of the fees paid by the Group to the networks to which such external auditors belong, including fees that are not directly linked to the external auditors' duties;
- to see to the external auditors' independence, to examine with them, if applicable, the risks that are impacting such independence and the safety measures undertaken to mitigate these risks and grant its prior approval to any external audit performed that is accessory to or directly complementary to the audit of the accounts they are responsible for (excluding all other duties).

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.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning.

Unless the Committee decides differently, the Independent Auditors will attend meetings.

ACTIVITY REPORT OF THE AUDIT COMMITTEE FOR FISCAL YEAR 2008/09

The Audit Committee met three times during fiscal year 2008/09 (three times during fiscal year 2007/08). The attendance level was 94% (100% 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 Vice President of Tenders and Projects Control, the Senior Vice President of Ethics and Compliance, the Senior Vice President of Corporate Funding and Treasury and several representatives of Sectors' Financial Departments attended the Committee meetings.

The Chairman of the Committee took the opportunity of the year end closing of accounts to meet with the independent audit firms alone; a second meeting, between the independent auditors and all the Audit Committee's members without the representatives of the Company, also took place.

The Committee reviewed the Statutory and Consolidated Financial Statements as of 31 March 2008 as well as the half-year consolidated accounts of 30 September 2008 (accounts, appendices and management or activity reports). The Committee also reviewed the Registration Document (*"Document de Référence"*) for the fiscal year ended 31 March 2008 prior to its filing with the French Stock Market authority (*"Autorité des marchés financiers"*) and especially the section concerning risks as well as the one concerning the Internal Control Procedures of the Chairman's Report.

On the basis of the presentations produced by the General Management and the independent audit firms, the Committee checked the relevance of the accounting methods and treatments used in the financial statements.

As each year, the annual and half-year closing of accounts led to detailed presentations from the General Management and Financial Management of each Sector, of the Group's major risks (risks linked to the activity, to contract execution, to the main disputes) and of the off-balance sheet commitments.

Furthermore, specific subjects were presented and discussed with the Committee concerning risk management: the Group's Treasury and information systems organisations.

The person in charge of Ethics and Compliance also presented to the Committee the detailed rules and procedures applicable to all Sectors concerning the selection and employment of agents. This presentation was done in order to ensure that these rules and procedures are in adequacy within the Group.

The risk mapping methodology – identification tool and follow-up of the risks consolidated in the Budget/Three year plan since fiscal year 2007/08 – as well as the action plans implemented, were examined and the updated results were discussed at Group level.

The Committee studied the budget prepared by the Company for fiscal year 2009/10 and the Three Year Plan 2009/2012, and examined the assumptions considered by Management.

The Committee reviewed the existing internal control procedures put in place in the Group and the internal control evaluation done by the Company through an annual evaluation questionnaire.

The Committee was informed of the detailed results of the annual internal control campaign and of the action plans aiming to improve internal controls, to eliminate weaknesses and to ensure compliance with applicable regulations. The results of the action plans were presented to the Committee. The Committee also heard the auditors' observations and recommendations on internal control.

The Committee also noted that Internal Control is henceforth under the responsibility of the Chief Internal Auditor. It examined and gave its opinion regarding the organisation and resources of the internal audit function.

The Chief Internal Auditor presented the Internal Audit year end and half-year activity reports for 2008 and the proposed internal audit program for each of the next four years was reviewed and approved. As each year, the Chairman of the Audit Committee met individually with the Chief Internal Auditor.

In November 2008, the Chief Financial Officer presented to the Committee an analysis of the work entrusted to the independent audit firms with the outlook of the expiration date of their mandate after the year end closing. The Committee approved the launch of a call for tenders procedure for the renewal of the independent audit firms' mandates. The Committee then presented these nominating recommendations to the Board in May 2009 on the basis of the call for tenders results.

The Committee examined the amount of fees paid out to the independent audit firms during the last fiscal year. The External Auditors' Charter includes the listing of pre-approved services that can be performed within defined limits by the Independent Auditors. The Committee, at all its meetings, was informed of the work performed by the Independent Auditors within its laid down guidelines and the fees involved.

As each year, members evaluated the functioning of the Committee on the basis of a questionnaire prepared by the Nominations and Remuneration Committee which particularly aims to check that important questions were adequately prepared and discussed. The results and suggestions were discussed during a Board Meeting.

The Committee also reviewed and approved in March 2009 the changes made to its Audit Committee Charter in order to take into account the regulatory evolutions concerning Audit Committees and the updated AFEP-MEDEF December 2008 recommendations, and to formalise observed practices.

The Committee reported on its work, provided comments and gave proposals to the Board.

NOMINATIONS AND REMUNERATION COMMITTEE

The **Nominations and Remuneration Committee**, formed in 1998, 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 and Mr Klaus Mangold.

Three members of the Committee out of five are independent, including the Chairman, which corresponds to the AFEP-MEDEF Code's recommendation to have a majority of independent members in Remuneration Committees.

Duties

As stated in its Internal rules as amended on 18 March 2009, 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 Executive Directors ("Dirigeants mandataires sociaux") and members of the Executive Committee;
- the succession plans for the Company's Executive Directors;
- the compliance by the Company with corporate governance principles that the Company abides by, notably regarding the policy with respect to the remuneration of the Executive Directors. The Committee advises the Board on the part of the annual report dedicated to the shareholders' information on these matters and on Board's work;
- 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 whole of the elements comprising the compensation to be paid to the Executive Directors of the Company, including any award of stock options or performance-based shares, as well as compensation and benefits of any kind (including pensions and termination benefits) also paid to them by the Company or 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 Company's Executive Directors based on the principles applied to other Senior Corporate Executives.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning.

The Committee performs any other related activities as the Committee or the Board deems necessary or appropriate.

ACTIVITY REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE FOR FISCAL YEAR 2008/09

The Nominations and Remuneration Committee met four times during fiscal year 2008/09 (four times during the previous fiscal year) and the members' attendance rate at these meetings was 95% (compared to 90% for fiscal year 2007/08).

In May 2008, the Committee reviewed the terms of the indemnities and benefits owed or which may be owed to the Chairman and Chief Executive Officer in the event of termination of his duties and recommended amendments to the Board, in order to align them with the legal provisions resulting from law No. 2007-1223 of 21 August 2007.

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 variable remuneration for 2007/08, the detailed economic objectives for his variable remuneration for 2008/09 and the personal objectives. The Committee was informed of the remunerations of the other members of the Executive Committee.

As part of its Corporate Governance review, the Committee steered the procedure for the annual assessment of the functioning of the Board and of the Committees conducted in 2008 on the basis of questionnaires prepared by itself and presented the results to the Board in May 2008. 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 and compensation of corporate officers, reviewed the Directors' independence status and the independence criteria applied, and more generally recommended to the Board the approval of the Corporate Governance section of the 2007/08 Annual Report/Registration document.

Concerning the employees' shareholding and stock options, the Nominations and Remuneration Committee discussed and recommended to the Board in September 2008 to implement a new Employee Share Purchase Scheme "Alstom Sharing 2009" open to the Group's employees and former employees in 22 countries.

The Nominations and Remuneration Committee also examined in detail and recommended to the Board, in September 2008, to allocate simultaneously a mix of conditional options within stock options plan No. 11 and of free performance shares and to decide that the number of exercisable options and the number of free shares to be finally delivered will be entirely conditional upon the level of the Group's operating margin for fiscal year 2010/11. It reviewed all the other characteristics and conditions of these grants, as well as the list of beneficiaries. The Committee also discussed the proposed grant of conditional stock options and free performance shares to the Chief Executive Officer within this plan and the related obligations regarding the retention of shares defined in compliance with the applicable legislation, which are also applicable to the other members of the Executive Committee, and decided to recommend it to the Board.

In November 2008, the Committee examined the succession plans for all the Executive Committee members and for the 180 most important positions within the Group. The Committee also reviewed all the components of the Chairman and Chief Executive Officer's remuneration in light of the new AFEP-MEDEF recommendations dated 6 October 2008 on the compensation of executive corporate officers, and recommended to the Board to strictly comply with these recommendations.

In March 2009, the Committee prepared the annual assessment of the Chairman and Chief Executive Officer's performance and reviewed the status of his remuneration in light of an analysis provided by an external consultant. The Committee was also informed of the evolution of the remunerations of the other members of the Executive Committee.

The Committee was informed of the results of the reservation period of the Employee Share Purchase Scheme "Alstom Sharing 2009".

Following its global annual assessment of the application by the Company of the AFEP-MEDEF Code of Corporate Governance of December 2008, the Committee issued recommendations to the Board of Directors in order to pursue the adaptation of the Group's practices to comply with the Code.

The Nominations and Remuneration Committee reported to the Board on its work and recommendations, regarding all these matters.

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 Board Internal Rules.

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 of the Board as lastly amended on 18 March 2009, 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;
- organic growth investments in an amount higher than €250 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy.

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")

ALSTOM's Executive and non-Executive Directors are its twelve members of the Board. The Chairman and Chief Executive Officer, is the only Executive Director of ALSTOM.

The information presented below also constitute the elements of the Board of Directors' report to the shareholders' meeting referred to in Article L. 225-102-1 (related to remuneration of Executive and non-Executive Directors) and in Article L. 225-185 of the French Commercial Code (related to retention obligations applicable to stock options and performance shares).

The principles and rules set by the Board of Directors for the determination of Executive and non-Executive Directors' compensation and benefits of any kind are as set out below.

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 linked to the performance of the Company. The remuneration policy is reviewed annually by the Nominations and Remuneration Committee and the Board of Directors on the basis of an analysis prepared by an external consultant.

Annual remuneration

The amount of the fixed part of the Chairman and Chief Executive Officer's remuneration and the range of his variable remuneration remained unchanged for three years as from the fiscal year 2006/07, *i.e.* until the end of fiscal year 2008/09.

Upon the Nominations and Remuneration Committee's proposal, the Board of Directors fixed the Chairman and Chief Executive Officer's fixed salary over the three-year period 2009/2012 and decided a 3% increase per year, resulting in the following amounts:

- 2009/10: €1,065,000
- 2010/11: €1,100,000
- 2011/12: €1,130,000

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 including for fiscal year 2009/10, 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 benefits from a Company's car representing a benefit in kind of €5,794 per year and, as other employees in France beyond a certain level of compensation, from supplemental medical, death and disability coverage, which costs are partly borne by the Company.

Annual fixed and variable remuneration in respect of fiscal year 2008/09

For fiscal year 2008/09, 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 each of the two previous fiscal years, and will be modified for fiscal year 2009/10 as set forth above.

His variable gross salary was €1,300,000 that is 125.75% 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 85.75% 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 40% in the 0-40% range.

For the previous fiscal year, his variable gross salary was €1,500,000 corresponding to 145% of his fixed gross salary for the said fiscal year. The variable part linked to the financial objectives was fixed at 105% within the range 0-120% and the part corresponding to the specific objectives was fixed at 40%.

Allocation of conditional stock options and performance shares

The Chairman and Chief Executive Officer receives conditional stock subscription options and performance shares within each long term incentive plan decided in principle annually by the Board of Directors in September. The level of allocation determined by the Board of Directors pursuant to the proposal made by the Nominations and Remuneration Committee takes into account all of the elements of the Chairman and Chief Executive Officer's remuneration and market practices.

Within the framework of these plans, the ratio of allocated stock options over the total number of stock options and performance shares increases as one's hierarchical position in the Company increases. Consequently, the Chairman and Chief Executive Officer receives a larger percentage of stock options than performance shares as compared with other plan beneficiaries.

The characteristics of the allocations made to the Chairman and Chief Executive Officer comply with the recommendations of the AFEP-MEDEF Code:

- Frequency: Annual allocation usually carried out in September.
- No discount: Yes (stock options).
- Performance requirements: Yes (since fiscal year 2006/07, all of the options or shares are allocated subject to the satisfaction of Group performance conditions within a 3-year period).
- Holding requirement: Yes (see below).
- Use of hedging instruments prohibited: Yes.
- Periods during which the exercise of options with sale of shares is prohibited: Yes.

The characteristics of the conditional stock options and performance shares allocated to the Chairman and Chief Executive Officer are identical to those offered in all other allocations made by the plan, with the exception of the holding requirement set by the Board of Directors pursuant to regulatory provisions. These characteristics appear in pages 182 to 187 of the Annual Report/Registration Document for the 2008/09 fiscal year filed with the AMF.

In accordance with the law and the AFEP-MEDEF Code, since 2007 the Board of Directors sets, for each allocation, the number of shares that the Chairman and Chief Executive Officer must hold until he no longer exercises his duties. The Board of Directors has, in addition, extended this holding requirement by making it applicable to all of the members of the Executive Committee.

Within the framework of the 2007 and 2008 plans (called LTI No. 10 and LTI No. 11 respectively), 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. This requirement is not capped based on a certain level of shareholding being reached.

The Board has decided to fix for the future grants the percentage of the Chairman and Chief Executive Officer's remuneration and the percentage of the overall amount authorised by the shareholders' meeting that the allocation to the Chairman and Chief Executive Officer shall not exceed. In case of allocation of performance shares, the Board shall set the quantity of shares which must be acquired by the Chairman and Chief Executive Officer. (see Corporate Governance Report page 154).

Moreover, rules of conduct applicable within the Group in case inside information is held, prevent any sale of shares, 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. During period where trading is not prohibited, these internal rules prescribed to consult the Group's legal counsel in case of doubt on the ability to trade prior to any such transaction.

In accordance with the AFEP-MEDEF Code, the Chairman and Chief Executive Officer has committed himself to refraining from using hedging instruments, for his entire term in office, to cover the risks associated with the stock options or performance shares allocated to him.

Allocation in respect of fiscal year 2008/09

The combined allocation received by the Chairman and Chief Executive Officer under the 2008 plan decided by the Board of Directors on 23 september 2008, represents approximately 3.7% of the total allocation of the 2008 plan (calculated according to a stock option equivalency, where one performance share is considered equivalent to five stock options). It also represents 0.04% of the share capital as of 31 March 2009 and 0.8% of the overall amount authorised by the shareholders' meeting dated 26 June 2007, which amounts to 5% of the capital.

Supplemental retirement scheme

The Chairman and Chief Executive Officer also benefits from the supplemental collective retirement scheme implemented in 2004, which is composed of a defined contribution plan and a defined benefit plan.

The defined benefit plan covers all persons exercising functions within the Group in France whose base annual remuneration exceeds eight times the annual French social security ceiling. The rights under the plan are vested only if the beneficiary retires from the Company and after claiming his or her retirement rights. Even though the plan does not set any minimum seniority requirement to be met in order to benefit from it, the plan remains compliant with the intention behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority, at a rate of 1.2% per year. The pension is determined by multiplying the replacement ratio based on the seniority by the fraction of the annual reference remuneration (*i.e.* the average of the last three fixed and variable annual remunerations) that exceeds eight times the annual French social security ceiling (€266,208 for the 2008 calendar year). The annual reference remuneration is capped at €2 million. Since 1 January, 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC supplemental retirement scheme. As such, given his seniority within the Group, the Chairman and Chief Executive Officer could, when he retires, claim a replacement ratio of between 13% and 20% of this salary portion.

The defined benefit obligation for the defined benefits plan is equal to €1,917,000 as at 31 March 2009, including statutory retirement indemnities for retirement.

The defined contribution plan complements the defined benefit plan. The rights are acquired annually and cannot exceed 16% of four times the annual ceiling of French social security. The amount of contributions paid by Alstom within the defined contribution plan, was €21,462 for fiscal year 2008/09.

Severance payment and other benefits arising upon the termination of the mandate

The shareholders' meeting dated 24 June 2008 approved each of the commitments discussed in Article L. 225-42-1 of the French Commercial Code, owed or that could be owed to Mr Patrick Kron following the termination of his term of office as Chairman and Chief Executive Officer. Such commitments had initially been authorised by the Board of Directors at its meeting dated 26 June 2007 at the time Mr Patrick Kron's term of office was renewed, and were then revised by the Board of Directors on 6 May 2008 within the framework of the application of the provisions of Article L. 225-42-1 of the French Commercial Code as amended by law No. 2007-1223 dated 21 August 2007 aimed at subjecting the payment of severance indemnity to performance conditions.

At its meeting dated 4 May 2009, the Board of Directors acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment as well as to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, Chairman and Chief Executive Officer, presently concern (i) the entitlement to the additional collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan from which benefit all persons exercising functions within the Group in France, the base annual remuneration of which exceeds 8 times the French Social Security cap, above mentioned, as well as (ii) the upholding, in the event of termination of his mandate as initiated by either the Company or himself, of only the rights to exercise the stock options and the rights to the delivery of the performance shares, that will have been definitively vested as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

These commitments as amended and authorised by the Board of Directors during its 4 May 2009 meeting are presented in the Independent Auditors' special report to the shareholders' meeting convened on 23 June 2009.

Table for monitoring the implementation of the AFEP-MEDEF Code with respect to the remuneration of Executive Directors

	Employment contract		Additional retirement pension scheme		Indemnities or benefits owed or that could be owed due to termination or a change in work duties		Indemnities associated with a non compete clause	
Executive Directors	Yes	No	Yes	No	Yes	No	Yes	No
Patrick Kron **Chairman and Chief Executive Officer** Term of office began in: 2003 Term of office ends in: 2011		X	X (see above)			X (see above)		X

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 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 modified as from fiscal year 2008/09, the Directors' fees were made of a fixed part worth €22,500 paid to each Director. Each Chairman of the Audit Committee and of the Nominations and Remuneration Committee receive an additional amount of respectively €15,000 and €10,000 per year. In addition, each Director is paid €3,000 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 2008/09 are €538,500 (€428,750 for the last fiscal year), representing approximately 83% of the maximum annual amount authorised. The variation results essentially from the increase in the terms of granting since fiscal year 2008/09 as indicated above. Half of the fixed and variable parts were paid in fiscal year 2008/09, while the balance was paid in fiscal year 2009/10.

SUMMARY TABLES OF THE REMUNERATIONS OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS PURSUANT TO AFEP-MEDEF RECOMMENDATIONS AND TO THE AMF RECOMMENDATIONS DATED 22 DECEMBER 2008

The whole gross compensation and benefits of any kind paid (or due) for fiscal year 2008/09 and the previous year 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 as requested by article L. 225-102-1 of the French Commercial Code are contained in the tables 2 and 3 below:

Table 1

Summary table of the compensation, conditional stock options and performance shares accruing to each Executive Director

Patrick Kron Chairman and Chief Executive Officer	Fiscal year 2006/07 (in €)	Fiscal year 2007/08 (in €)	Fiscal year 2008/09 (in €)
Compensation due in respect of the fiscal year (*detailed in table 2*)	2,470,729	2,540,794	2,340,794
Valuation of the conditional stock options awarded during the fiscal year (1) (*detailed in table 4*)	2,051,900	1,679,000	1,220,000
Valuation of the performance shares awarded during the fiscal year (1) (*detailed in table 6*)	-	105,000	343,860
Total	**4,522,629**	**4,324,794**	**3,904,654**

(1) The stock options and performance shares are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 23 of the consolidated financial statements as of 31 March 2009).

This table offers a summary of the elements of remuneration of Patrick Kron, who is the only Executive Director, as exposed in the following tables.

Table 2

Summary table of the compensation of each Executive Director

Patrick Kron Chairman and Chief Executive Officer	Amounts for fiscal year 2006/07 (in €) Due in respect of the fiscal year	Amounts for fiscal year 2006/07 (in €) Paid in during the fiscal year	Amounts for fiscal year 2007/08 (in €) Due in respect of the fiscal year	Amounts for fiscal year 2007/08 (in €) Paid in during the fiscal year	Amounts for fiscal year 2008/09 (in €) Due in respect of the fiscal year	Amounts for fiscal year 2008/09 (in €) Paid in during the fiscal year
- Fixed gross compensation	1,035,000	1,035,000	1,035,000	1,035,000	1,035,000	1,035,000
- Variable gross compensation (1)	1,430,000	1,300,000	1,500,000	1,430,000	1,300,000	1,500,000
- Extraordinary gross compensation	-	-	-	-		
- Directors' fees (2)	-	-	-	-	-	-
- Fringe benefits (3)	5,729	5,729	5,794	5,794	5,794	5,794
Total	**2,470,729**	**2,340,729**	**2,540,794**	**2,470,794**	**2,340,794**	**2,540,794**

(1) The variable salary in respect of a fiscal year is paid on the following fiscal year. The criteria according to which the variable remuneration was calculated and the terms and conditions for setting the amount are described on page 163 above.

(2) Since 1 April 2005, the Chairman and Chief Executive Officer waived his Directors' fees.

(3) Company car.

Table 3

Non-Executive Directors' fees table (1)

Non-Executive Directors	Fiscal year 2007/08 Amounts due in respect of the fiscal year (in €)	Fiscal year 2007/08 Amounts paid during the fiscal year (in €)	Fiscal year 2008/09 Amounts due in respect of the fiscal year (in €)	Fiscal year 2008/09 Amounts paid during the fiscal year (in €)
Jean-Paul Béchat	50,000	50,000	61,500	54,500
Candace Beinecke	42,500	40,000	49,500	45,000
Olivier Bouygues	40,000	40,000	49,500	42,500
Georges Chodron de Courcel	37,500	32,500	40,500	39,000
Pascal Colombani	42,500	42,500	46,500	42,000
James B. Cronin (2)	11,875	30,625	-	-
Jean-Martin Folz (3)	23,125	4,375	43,500	42,000
Gérard Hauser	42,500	40,000	49,500	45,000
James W. Leng	50,000	50,000	61,500	52,000
Klaus Mangold (3)	23,125	9,375	43,500	40,000
Olivier Poupart-Lafarge (4)	40,000	40,000	-	18,750
Alan Thomson (3)	25,625	6,875	46,500	42,000
Bouygues (5)	-	-	46,500	23,250
Total	**428,750**	**386,250**	**538,500**	**486,000**

(1) The non-Executive Directors receive only attendance fees as remuneration.

(2) Directorship expired on 26 June 2007.

(3) Directorship began on 26 June 2007.

(4) Directorship expired on 18 March 2008.

(5) Director appointed on 18 March 2008 to replace Mr Olivier Poupart-Lafarge and whose permanent representative is Mr Philippe Marien.

Half of the Director's fees distributed among the non-Executive Directors are paid during the fiscal year (fees in respect of the first half of the fiscal year) and the remaining part during the following fiscal year (fees in respect of the second half of the fiscal year).

Table 4

Stock options awarded during the fiscal year 2008/09 to each Executive Director by the Company and by the Group

Options awarded to each Executive Director by the issuer or by the Group (nominative list)	Number and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements (1) (in €)	Number of options awarded during the fiscal year	Exercise price (in €)	Exercise period
Patrick Kron Chairman and Chief Executive Officer	LTI No. 11 awarded on 23 September 2008	Conditional subscription options	1,220,000 or 11% of the accounting charge	80,000	66.47	23/09/11 until 22/09/18 (both dates included)

(1) The stock options are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 23 of the consolidated financial statements as of 31 March 2009).

Within LTI plan No. 11, stock options are subject to performance condition: 100% of the options will be exercisable subject to the achievement of a Group's operating margin for the 2010/11 fiscal year that is equal to or higher than 10%. If the Group's operating margin for the 2010/11 fiscal year is between 9.5% (included) and 10% (excluded), 80% of the options will be exercisable, it being specified that this percentage is reduced to 40% if the operating margin is between 9% (included) and 9.5% (excluded) and that no options will be exercisable if the operating margin is less than 9%.

Table 5

Stock options exercised during fiscal year 2008/09 by each Executive Director

Options exercised by the Executive Directors (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price (1) (in €)	Award year
Patrick Kron Chairman and Chief Executive Officer	Plan No. 8 awarded on 27 September 2005	190,000	17.88	2005

(1) As adjusted to take into account the two-for-one stock split completed on 7 July 2008.

The summary of the total number of stock options held by Mr Patrick Kron as of the end of the fiscal year 2008/09 is the following:

	Number of options	Unit exercise price (in €)	Maturity date of options
Plan No. 6 (1)	58,292	77.20	6 January 2011
Plan No. 9 (1)	240,000 (2)	37.33	27 September 2016
Plan No. 10 (1)	115,000 (3)	67.50	24 September 2017
Plan No. 11	80,000 (3)	66.47	22 September 2018

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008.

(2) 144,000 options were conditional (condition completed as of 31 March 2008).

(3) 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.

The summary of all stock options plans appears in pages 184 and 185 of the Annual Report/Registration Document for the 2008/09 fiscal year filed with the AMF.

Table 6

Performance shares awarded during the fiscal year 2008/09 to each Executive Director by the Company or the Group

Performance shares awarded during the fiscal year to each Executive Director by the Company or the Group (nominative list)	Number and date of the plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method used for the consolidated financial statements (1) (in €)	Acquisition date	Availability date
Patrick Kron Chairman and Chief Executive Officer	LTI No. 11 awarded on 23 September 2008	6,000	343,860 representing 1% of the accounting charge	The fifth business day following the day of publication of the consolidated accounts for fiscal year 2010/11	Following an acquisition period of 2 years

(1) The performance shares are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see note 23 of the consolidated financial statements as of 31 March 2009).

The LTI plan No. 11 renders the effective allocation of 100% of the shares subject to the achievement of the Group's operating margin for the 2010/11 fiscal year that is equal to or higher than 10%. If the Group's operating margin for the 2010/11 fiscal year is between 9.5% (included) and 10% (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 9% (included) and 9.5% (excluded) and that no shares will be allocated if the operating margin is less than 9%.

The summary of the number of rights held by Mr Patrick Kron as of the end of the fiscal year 2008/09 entitling him to a free allocation of performance shares is the following:

Plans	Number of performance shares	Unit valuation (in €) (3)	Final attribution date of the shares
2007 Plan (LTI No. 10) (1) (2)	2,000	52.50	On the fifth business day following the date of publication of the consolidated accounts for fiscal year 2009/10
2008 Plan (LTI No. 11) (2)	6,000	57.31	On the fifth business day following the date of publication of the consolidated accounts for fiscal year 2010/11

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008.

(2) Entirely conditional allocation for which a portion of the shares delivered is subject to a holding requirement until the expiry of Mr Patrick Kron's duties.

(3) The performance shares are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 23 of the consolidated financial statements as of 31 March 2009).

The summary of all performance shares plans appears on pages 186 and 187 of the Annual Report/Registration Document for the 2008/09 fiscal year filed with the AMF.

Table 7

Performance shares that have become available during the fiscal year for each Executive Director

Performance shares that have become available for the Executive Directors (nominative list)	Number and date of the plan	Number of shares that have become available during the financial year	Acquisition terms	Delivery date
	-	None	-	-

Participation at shareholders' meetings

Any shareholder has the right to participate at shareholders' meetings under the conditions set forth by law and in Article 15 of the Company's by-laws. The provisions of Article 15 of the by-laws appear on pages 225 and 226 of the Annual Report/Registration Document for the 2008/09 fiscal year filed with the AMF (Autorité des marchés financiers) and posted online on the Company's website.

Generally speaking, the members of the Board of Directors are present at shareholders' meetings.

Elements that could have an impact in the event of a tender offer

These elements of the Board of Directors' report to the shareholders' meeting set forth by Article L. 225-100-3 of the French Commercial Code appear on pages 239 and 240 of the Annual Report/Registration Document for the 2008/09 fiscal year filed with the AMF.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES REPORT

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 Factors section of the Annual Report/Registration Document 2008/09 (see page 133) filed with the AMF.

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.

The present part of the report was prepared with the contributions from the Internal Audit and Internal Control Department, the Finance function including the Tenders & Projects Control and the Information Systems Departments, the Human Resources Department, the Legal Department, the Ethics & Compliance Department and the Environmental, Health & Safety Department.

Perimeter of internal control

The internal control system described herein covers the parent company ALSTOM and all its consolidated companies (the "Group" or "Alstom").

Internal control reference framework and objectives

REFERENCE FRAMEWORK

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) was performed in fiscal year 2007/08.

The analysis 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 analysis outcome shows that Alstom applies the "Reference framework" on internal control recommended by the AMF.

OBJECTIVES

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 including the identification, analysis and minimisation 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 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 with the support of the Sector Internal Control teams, and overseen by the central Internal Control team under the responsibility of the Vice President Internal Control.

A community of experts in internal control composed of the central and Sector Internal Control teams with relays in the reporting units ("unit") has been developed. This group communicates regularly to share good practices and drive the required change management. Moreover, each Sector President defines the internal organisation of his Sector in a way that ensures efficiency and performance of the Businesses. Businesses are themselves composed of a certain number of units each headed by a Managing and Finance Director responsible and accountable for their affairs including the control environment.

In addition, a continuous improvement approach is taken with internal control regularly monitored at Business review meetings.

Corporate Instructions and Codes

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 are 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 litigation, other forms of dispute resolution, communication with the media, issuance of press releases, Environment Health & Safety policy, security, crisis management, selection and payments to agents, consultants and representatives for business transactions, and prevention of insider trading. 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.

Since its listing on stock exchange the Group has implemented a Code of conduct for preventing insider trading. This code defines the situations where concerned persons must refrain from making any transactions on the Group's shares. The Code, mainly revised in October 2006 and regularly updated, is applicable to all officers, managers and employees of Alstom. It is also available on the Group's intranet and sent to all new insiders of whom the Company keeps an updated list.

The Group has a **Code of Ethics** which applies to every 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 all stakeholders: clients, suppliers, competitors, shareholders, employees, governments, regulatory authorities and the public. Every 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:
- bribery and corruption prevention to avoid unlawful payments and practices;
- agreements with competitors, to ensure fair and open competition;
- 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. It has been translated in 16 languages and printed in 89,000 copies which have been largely circulated in all units for distribution to employees. A specific instruction was issued in November 2008 to clarify the process of reporting and investigation of fraud and theft.

The Code of Ethics is available on ALSTOM's website (www.alstom.com-About us).

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 those 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 is regularly updated.

The Internal Control Manual contains a number of principles that are mandatory and to be complied with at all times by all business units. These principles include notably:

- segregation of duties: 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 must be retained to confirm that amounts are promptly recorded at the correct amount in the appropriate accounts and in the proper accounting period;
- delegation of authorities, as the foundation of any system of internal control is to make sure, including at unit level, that responsibilities and authorities are defined and understood.

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

An extensive communication exercise has been undertaken to ensure that the requirements and basics of internal control are widely understood.

A constantly growing community of senior finance personnel involved in internal control has been established in 2005, as part of the Internal Control initiative to implement a continuous improvement process. This community of practice (more than a hundred members in 2009) intends to promote a culture change on internal control within the Group. 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 calls, 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 initiated in 2005, 1,200 persons were trained on internal control in 2005. A detailed training programme continues with over 380 finance professionals and managers trained in the past two years and up to 3,100 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.

RISK ASSESSMENT & RISK MANAGEMENT PROCESS

Risk assessment

Since fiscal year 2006/07, a yearly risk assessment review is undertaken, as part of the annual budget and three-year plan process, to deepen the knowledge of risks of every nature within the Group and update a cartography of risks. A Sector-based approach has been defined and structured around a common methodology, allowing consistent risk assessment and allocation of resources to manage and monitor those risks.

The update of the cartography of risks and the main characteristics of the risk management system are presented every year to both the Audit Committee and the Board of Directors.

The risk assessment process allows the Group to take into consideration the impact that potential events may have on the 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 is used in making the assessment.

Data from past events are used in making risk assessments as they provide 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, or risk portfolio perspective.

Taken together, risks in different Businesses may exceed the sum of the individual risks or conversely risks may be offset across the Group or a Sector.

The time horizon used to assess the impact of risk is three years, which ensures 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.

The risk mapping exercise also allows to confirm that the appropriate insurance amounts have been subscribed with regards to the insurable risks (see "Insurance" in the Risks section of the Annual Report/ Registration Document 2008/09 filed with the AMF).

Risk management

Sector and Corporate Management update this assessment as part of the budget and three-year plan process. Detailed documentation for each risk category is produced, highlighting the causes of the risks, potential consequences and the actions taken to mitigate them.
Risk owners appropriately designated by the Sector and Corporate Management are responsible for monitoring the timely implementation of the action plans. Action plan status and results are reviewed and presented at each risk assessment exercise.

For each Sector, the risk assessment is approved by the management team under the control of the Sector President. Risk assessment 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.

Each Sector President is responsible for the effective management of risks within his Sector. In addition, functional Vice Presidents (within finance, legal, HR…) are responsible for managing risks pertaining to their own processes.

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.

INFORMATION AND REPORTING

Information accuracy and completeness 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 section "Procedures for the production of the Group financial statements and other accounting and financial information".

MONITORING OF INTERNAL CONTROL

Unit Management has the responsibility of maintaining 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 also includes the key information system applications used in the production of financial information to help ensure the integrity of the process.

The self-assessment questionnaire is based on 13 cycles which include the general control environment, revenues, purchasing, human resources, capital expenditure, inventories, manufacturing, treasury, financial reporting, information systems & technologies, tax, legal, Environment Health & Safety (EHS).

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 the completeness of the documentation. Detailed evidence is required to support answers given.

Where the results of the self-assessment questionnaire indicate that controls are not at the required level either in design, operation or documentation, corrective action plans are required to be put in place. Each action plan should have an owner and a detailed timetable to complete the action and update the required control, which may include ensuring documentation is updated. The progress of action plans is 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.

Main actors of internal control and risk management

MAIN ACTORS OF INTERNAL CONTROL

Senior Management

The Chairman and Chief Executive Officer is responsible for the internal control and risk management systems and for ensuring that internal control and risk management 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.

Audit Committee

The Audit Committee reviews and evaluates twice 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.

The Audit Committee then provides a detailed report to the Board of Directors.

For more information regarding the Audit Committee, see the first part Corporate Governance report.

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 Vice President Internal Control, the Group Controller, the Vice President Tenders & Projects Control, and a member of each of the Sector Managements.

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 twice during fiscal year 2008/09 under the Chairmanship of the Chief Financial Officer. The consolidated financial statements for the fiscal year ended 31 March 2008 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 2008 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, the Department:
- specifies 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 Tax Department defines the overall tax policy and planning for the Group and ensures proper compliance with regard to tax returns and payments.

Internal Audit Department

The Vice President Internal Audit, who is in charge of a 28-member department (25-member last year), reports to the Chairman and Chief Executive Officer and works in close cooperation with the Chief Financial Officer and the General Counsel. In 2008, two strategic directions have been developed: competencies in information systems have been reinforced and a second office has been opened in Kuala Lumpur (Malaysia), in order to adapt its organisation to the growing activities of the Group in Asia-Pacific. In addition, the Internal Control function has been placed under the supervision of the Internal Audit Director to increase synergies between internal control and internal audit.

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.

Internal Audit may participate in specific assignments such as acquisition and disposal operations, information system implementation, assistance mission or investigations.

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 the Group 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.

Internal Audit holds bi-annual working sessions with the Independent Auditors in order to share on their respective audit results.

ALSTOM Internal Audit was awarded IFACI certification in October 2007 which was successfully renewed in October 2008. 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.

Internal Control Department

The Internal Control function at Group level is responsible for promoting and coordinating all actions and projects aiming at defining the Group's requirements in terms of internal control, and updating the Internal Control Manual and Internal Control Questionnaire. It is also in charge of following the global results of the self-assessment campaigns, the main deficiencies identified in the Group's internal control and their respective action plans.

The Group Internal Control department is relayed in each Sector by a team of professionals in internal control under the responsibility of a Sector Internal Control Director. These Sector teams have also their own relays in countries or units.

The Sector Internal Control teams assist unit and business management in implementing internal control rules and instructions, remediating deficiencies, and improving in general the internal control level. They closely follow the results of the self-assessment campaigns, participate to the major projects of their respective Sector (such as the implementation of a new information system) in order to bring in their expertise, and propose various initiatives to address internal control challenges specific to their Sector.

The Group and Sector Internal Control Directors formally meet every month and an agenda is predefined to discuss the internal control issues identified, follow the on-going actions, share good practices, define areas for improvement, and maintain in general a high level of communication and collaboration between the Sectors. These meetings are systematically minuted.

Information Systems function

Following the appointment of a Group CIO in October 2007, IS&T organisation is in a transition phase. The ambition of the reorganisation is to build a global IS&T organisation in line with the Group needs and develop a more global and standard approach in IT solutions and services delivery. This change should improve service level, customer focus and cost optimisation. First, the current ITC organisation has been replaced and moved from a country based organisation to a global IT Shared Service Centres Organisation, structured around two main entities:

- "Global IT Operations" is in charge of managing the worldwide IT infrastructure, including PCs, Telecommunications and Data Centres; and
- "Application Solutions Centre" is responsible worldwide for delivering, supporting and maintaining the Alstom Applications, optimising the "Total Cost of Ownership" per application and professionalizing Application Management services within Alstom.

In a second phase, the IS Sector organisation will be reshaped to better manage the demand, transforming the way Sectors work with new IT solutions and services delivery centres. IS Sector functions belong to the global IS&T Alstom Community.

The IS&T key priorities are to reshape the organisation, to strengthen IS&T governance (processes, principles and rules), to reduce complexity of the Group Information Systems (through increasing standards, industrialising the delivery of services and solutions and proactively decommissioning old applications together with the Sectors), to ensure a worldwide coverage and optimize costs.

The new IS&T organisation should also reinforce the ability to monitor and address the IT risk within the Group:
- the arrival of a CIO contributes to manage IS&T as one coordinated function and defines an ultimate point of accountability for IS&T across the Group;
- the creation of an IS&T Group team including a Project Management Office should also contribute to reinforce the governance and standardise IS&T processes;
- moreover, the IS Compliance Community has been reinforced by the Sectors and at Group level to provide guidance to process/application owners, follow remediation plans, support IS&T topics, embedding Internal Control in new systems and solutions, and reinforce IT Compliance and security.

Important projects are in progress, like the new integrated system for the Power Sector and also the deployment of the Transport Sector core models. Information Systems security and Information Systems compliance are also a priority, and specific plans are in place to make sure that the infrastructure and application landscape are robust, secure and compliant.

MANAGEMENT OF SPECIFIC RISKS

Risks in relation to contracts

Corporate 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 results and other specific 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 and topics (e.g. cartography of risk) which may arise from time to time and have an impact on the Sectors activities.

Sector procedures

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 submission 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.

The Sector risk review procedures on tenders include a checklist of major risk elements to be systematically addressed. These elements include in particular, but are no limited to: customer profile, project contractual organisation and partnership, supplier/subcontracting risk, technical & technology risk, costs solidity, project schedule, contract terms & conditions, payment security, bank guarantees, foreign exchange exposure, country risk, tax aspects, bid financials (selling price, margins, risks & opportunities, provisions, project cash profile, etc.). Any deviation to the Group's principles is highlighted and challenged. The implementation of the procedures and the formalisation of the review and approvals are supported in each Sector by a specific reporting and validation tool.

In addition, the Internal Control Manual specifies that project reviews held within the Sectors must be minuted and 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.

Risks in relation to consultants

Ethics & Compliance Department

Ethics and Compliance stands as a top priority for Alstom, and the Department has the responsibility to implement the culture of integrity as well as the application of the Code of Ethics in relation to Business Ethics and Personal Integrity.

The main role of the Ethics & Compliance at Corporate and Sector level is to:
- promote and explain Alstom's culture of integrity through training emphasizing the Group's zero-tolerance rule;
- ensure compliance with international and national laws, and with Alstom policy;
- prevent all illegal activities and unlawful payments;
- control the process of appointment of consultants proposed by the Sectors in relation to the development of business and sales, and validate their appointment after due diligence;

- implement policies in relation to contributions, procurement, competition law, gifts and entertainments, etc.

The Ethics & Compliance Department at Corporate reports both to the Senior Vice President of International Network and the General Counsel. The Sector Ethics & Compliance Officers in charge of the application of the Ethics & Compliance policy in the Sectors report directly to the Senior Vice President Ethics & Compliance with a functional reporting to their respective Sector General Counsel.

The current Ethics & Compliance Department comprises 17 people and, through its reporting to International Network, benefits from the support of the 50 Country Presidents in charge of governance in their respective countries. The Ethics & Compliance organisation liaises regularly with Corporate functions in particular Legal, Finance, Internal Audit, Human Resources and Communication to better promote Alstom ethical principles throughout the whole Group.

During fiscal year 2008/09, 1,000 employees in position to deal with consultants have been trained through the ethics and compliance programme, bringing the total population trained worldwide to 2,200 people since the programme's launch in 2006. In addition, 900 employees selected by the Sectors and Corporate have also completed the e-learning module on both Anti-Corruption and Competition Law during the past fiscal year.

The Company Rules and Procedures have been continuously strengthened since 2000, and as part of its ongoing actions to apply the highest standards in the area of Ethics & Compliance, the Group called on "Ethic Intelligence International" to audit and validate its rules and procedures governing relations with sales and marketing consultants and agents. The audit was conducted between September 2008 and March 2009 with the support of the Swiss audit company, SGS, and a pool of international recognised experts. The audit concluded that the quality of Alstom compliance policy and the quality of its implementation correspond to international best practices. As a consequence of this positive review, the Group was awarded a certificate on 12 March 2009, granted for two years.

Risks in relation to financial markets

Corporate funding & treasury

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 central organisation facilitates the financial risk management as all financial transactions are performed or at least supervised by the Corporate front-office, reported in a dedicated reporting tool, and under the control of a strictly independent middle office. The Funding and Treasury Department is solely entitled to raise loans and invest cash surplus. It has also defined a detailed list of authorised banks which the units are allowed to deal with. For further information regarding the management of financial risk, see Note 27 to the consolidated financial statements for the fiscal year ended 31 March 2009.

Corporate Pension Committee

Pensions and other employee benefits are governed and monitored by the Corporate Pension Committee which is composed of the Corporate Treasury, Consolidation and Compensation & Benefits functions, according to the following principles:

- participation of a Corporate officer to the Board of Trustees and/or Investment Committees;
- assets/liabilities management approach so that only risks necessary to cover Alstom's liabilities are taken;
- simplicity in the investment strategy to ensure visibility on the portfolio risk;
- systematic support from an external investment advisor in main countries;
- quarterly meetings of the Corporate Pension Committee to monitor the schemes' evolution.

Legal risks

Legal function

The Legal Function is responsible for monitoring and mitigating risks arising out of the activities of the Group, as well participating in the Group's efforts to ensure full compliance with applicable laws and the Alstom Code of Ethics. Legal is comprised of Sector Legal Departments, Country Counsels and the Corporate Legal Department.

Sector Legal Departments are headed by a Sector General Counsel, who reports functionally to the Group General Counsel and operationally to his Sector President. The Sector Legal Departments are responsible for handling legal matters for their Sector. They are in particular involved in the negotiation of contracts, from tendering to signature. They also participate in contract management, including legal training for contract managers, management of legal risks and legal support throughout the project execution. Legal support during execution involves preparing and negotiating contract modifications, preparing and negotiating customer, co-contractor and subcontractor claims, such as for extra time and costs, providing legal support in disputes resolution and negotiations with insurers. Contract management manuals have been implemented in the Sectors. The main risks in relation to contract performance are presented in the Risks Factors section of the Annual Report/Registration Document 2008/09 filed with the AMF.

The Country Counsels, appointed in several countries where the Group is present, provide legal support to one or more Sectors and are responsible for corporate law matters in their country. The Country Counsels report functionally to the Group General Counsel, operationally to their Country President, and as appropriate to the Sector General Counsels.

The Corporate Legal Department is headed by the Group General Counsel, reporting to the Chief Executive Officer. The Corporate Legal Department provides legal assistance to the Board of Directors and senior management, to other corporate functions, Sectors and Countries, as appropriate, in dispute resolution, acquisitions and disposals of businesses, finance and stock market law, insurance, intellectual property, competition law, sourcing and criminal law.

The Corporate Legal Department handles major disputes affecting the whole Group, compliance matters involving criminal investigations and legal issues arising out of disposals not connected to a Sector (e.g. former Marine division). It monitors the Group exposure reporting relating to disputes. All Group legal entities must submit a report on being notified of a dispute or the commencement of a litigation and on becoming aware that a third party is likely to commence a dispute or claim. In addition, the Sector General Counsels and Country Counsels submit an annual report concerning the status of all potential or pending law suits. The Corporate Legal Department is responsible for analysing and compiling the Group Annual Litigation Report, which is submitted annually to the Corporate Disclosure Committee, the Audit Committee and the Group Statutory Auditors every year. The major legal risks and disputes are presented respectively in the Risks Factors section and Note 30.B to the Consolidated Financial Statements of the Annual Report/Registration Document 2008/09 filed with the AMF.

Legal provides at all levels of the Group (Sector, Country, Corporate) training on the management of legal risks to a wide and varied group of communities within the Group, such as Project Managers, Contract Managers, operational and functional Managers and Directors and Officers of the Group subsidiaries.

Risks in relation to environment, health and safety (EHS)

EHS Department

The Corporate EHS Department is responsible for defining the global risk management policy regarding EHS, coordinating and following EHS actions and programmes through the Group. It is supported in its mission by a network of EHS managers at country, Business and Sector levels.

A global policy covering the management of EHS risks at an individual operating unit level has been put in place, 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. Independent specialists on risk analysis carry out the annual audit programme of Alstom manufacturing sites around the world. In addition to this, and in order to spread the Group EHS risk control system, an internal assessors accreditation programme is in place since 2008 with 54 assessors as of end of March 2009. Both internal and external auditors support the operating units in the creation of specific action and improvement plans.

The completion of the action plans is measured and followed up through a monthly Corporate reporting process.

Through the programme, the Group seeks primarily to:

- develop products and services that have an acceptable impact on the environment along the product life cycle from manufacturing, product use to end of useful life;
- 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 the Group environmental management principles to its sub-contractors and suppliers.

Additional EHS programmes are implemented at each of the 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 & Occupational Illness Prevention programmes.

The Assets & 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 a reporting system covering all the Business and operational centres in order to guide the risk management approach.

During fiscal year 2008/09, 147 EHS audits were carried out, 54% by the accredited internal assessors and 46% by external auditors. All these evaluations have been reviewed by the local Managing Directors in order to validate the suggested areas of improvement.

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. An integrated consolidation software is used for both management reporting purposes and also to produce the Group financial statements. The new 2008 release of the consolidation software further facilitates the reconciliation between contract data and financial reporting.

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 the consolidated financial statements at 31 March 2009.

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 accounted for by the equity or proportionate methods or fully consolidated 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 foreign exchange, 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 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 2009.

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 regularly reviews the effectiveness of internal control over financial reporting, 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, 4 May 2009

The Chairman of the Board of Directors

Executive **Committee**

COMPOSITION AS OF 4 MAY 2009

Since 19 March 2009, 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 Sector

PHILIPPE MELLIER
Executive Vice President; President, Transport Sector

PATRICK DUBERT
Senior Vice President, Human Resources

HENRI POUPART-LAFARGE
Chief Financial Officer

The Executive Committee met 11 times during the fiscal year.

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 performance objectives determined at the beginning of the fiscal year.

For fiscal year 2008/09, 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% or 36% depending on the members concerned and the specific objectives 20% or 24% of the annual base salary. The financial objectives can vary in a 0-60% or 0-72% range, and the specific objectives can vary in a 0-20% or 0-24% range, depending on performance. Therefore, the variable salary varies in a 0-80% or 0-96% range of the annual fixed salary depending on the members of the Executive Committee.

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 163, 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 2008/09 amounted to €3,690,000. The fixed component represents €2,190,000 (4 members of the Executive Committee concerned as of 31 March 2009, excluding the Chairman and Chief Executive Officer) and the variable component linked to the results of fiscal year 2008/09 represents €1,500,000 (4 members of the Executive Committee concerned as of 31 March 2009, excluding the Chairman and Chief Executive Officer).

The total corresponding amount paid in respect of fiscal year 2007/08 to the members of the Executive Committee (5 members of the Executive Committee concerned as of 31 March 2008, excluding the Chairman and Chief Executive Officer) was €4,316,400.

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 2009 for the members of the Executive Committee (except for the Chairman and Chief Executive Officer) is €2,602,000 including the legal retirement indemnities. The total amount of contributions paid by the Group, within the defined contribution plan, was €85,847 for the fiscal year 2008/09.

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.

(1) The activities of the two Sectors Power Systems and Power Service have been regrouped into a unique Power Sector effective 19 March 2009.

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 SA

This is a 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 Auditor's 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 2009

To the Shareholders,

In our capacity as Independent Auditors of ALSTOM SA and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code for the year ended 31 March 2009.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and which contains the other information required by article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

It is our responsibility to:

- report to you our observations on the information contained in the Chairman's report regarding the internal control procedures relating to the preparation and processing of the accounting and financial information;
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We performed our procedures in accordance with the professional guidelines applicable in France.

Information on internal control procedures relating to the preparation and processing of accounting and financial information

The professional guidelines require us to perform procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures notably consist of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's 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 the accounting and financial information, contained in the Chairman of the Board of Directors' report, prepared in accordance with article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, 5 May 2009

The Independent Auditors

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

Interests of the officers and employees in the share capital

STOCK OPTIONS AND PERFORMANCE SHARE 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.

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.

Through the Long-term Incentive Plans that were put in place starting in the 2007/08 fiscal year, the Board of Directors wanted to combine the allocation of stock options with the free allocation of shares and subject the exercise of all stock options and the delivery of all shares to identical performance conditions and attendance requirements (please refer to the characteristics of these plans, as set forth in subsequent pages).

The respective proportions of stock options and performance shares allocated vary according to beneficiaries' level of responsibility, it being specified that the proportion of stock options increases as responsibility levels increase. With respect to the lowest hierarchical positions, only performance shares were allocated in this way within the framework of LTI Plan No. 11 offered during the fiscal year, on 23 September 2008.

Beneficiaries of stock options and performance shares 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.

During fiscal year 2008/09, these beneficiaries represent approximately 1,430 people (approximately 1,300 people in 2007/08) 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 and performance shares 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 and performance shares granted to members of the Executive Committee are similar to those of all the other grants.

As such, the long term incentive plan ("LTI No. 11") 2008 plan bears on a total amount of conditional stock options (754,300 stock options granted) and free performance shares (445,655 allocation rights granted) corresponding to 0.27% and 0.16%, respectively, of the share capital as of the grant date totalling 0.43% of the share capital. The long term incentive plan ("LTI No. 10") of 25 September 2007 bears on a total amount of conditional stock options (1,697,200 stock options granted) and free performance shares (252,000 allocation rights granted) corresponding to 0.6% and 0.1%, respectively, of the share capital as of the grant date and a total of 0.7% of the share capital. In both plans, one performance share has been considered as corresponding to five stock options.

Executive Committee's members (including the Chairman and Chief Executive Officer) received in 2008, 197,500 conditional stock options and 22,000 free performance shares representing 10.3% of the total number of options and free performance shares granted, and in 2007 235,000 conditional options and 12,000 free performance shares, representing 17.8% of the total number of options and free performance shares granted.

For information on the allocations to the Chairman and Chief Executive Officer, see section Compensation of Executive and non-Executive Directors of the Chairman's report (see page 164).

The Company reserves the right to set up new plans in the future combining allotment of stock options and free shares, for amounts based on the level of responsibilities and job performance of the beneficiaries. 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.

Main characteristics of the stock options

- Frequency: Annual allocation in September of each year.
- No discount: Yes.
- Term of the options: 10 years.
- Exercise deferral: 3 years.
- Shares can be sold: At expiration of a 4-year period for French residents (3-year period for non French residents).
- Performance conditions: Yes (since fiscal year 2006/07, all options are granted subject to Group performance conditions to be met over a 3-year term).
- Holding requirement: Yes, for the members of the Executive Committee since fiscal year 2007/08 (see below).

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, as per current tax law, beneficiaries shall also keep the shares subscribed up until the expiry of a four-year period following the grant date of the plan.

Since 2004, over the five plans set up, four plans make the exercise of all or part of the options conditional to the achievements of Group's financial objectives (plans No. 7, 9, 10 and 11). Since 2006, all the options granted are conditional (plans No. 9, 10 and 11). 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 for the Group above 7.5% for fiscal year 2007/08. This condition being met, all the options will be exercisable as from 28 September 2009.

Under the plan granted during fiscal year 2008/09 (LTI plan No. 11 of 23 September 2008), 100% of the options will be exercisable subject to the achievement of a Group's operating margin for the 2010/11 fiscal year that is higher than or equal to 10%. If the Group's operating margin for the 2010/11 fiscal year is between 9.5% (included) and 10% (excluded), 80% of the options will be exercisable, it being specified that this percentage is reduced to 40% if the operating margin is between 9% (included) and 9.5% (excluded) and that no options will be exercisable if the operating margin is less than 9%.

The exercise of options is also subject to the beneficiary's presence 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.

Main characteristics of the performance shares

- Frequency: Annual allocation in September of each year.
- Performance requirement: Yes, the final allocation of all shares is contingent upon the satisfaction of Group performance requirements over a 3-year term.
- Final allocation: Once in full at expiration of a 3-year term for French residents and of a 4-year term for non French residents.
- Holding requirement: 2 years for French residents.
- Specific holding requirement for members of the Executive Committee: Yes since fiscal year 2007/08 (see below).

Generally speaking, the shares are allocated following an acquisition period of 3 years following the date upon which the Board of Directors allocated the shares in France or 4 years outside of France, subject to satisfying performance requirements linked to the Company.

The definitive allocation of the performance shares to beneficiaries within the LTI Plans granted since 2007, is subject to the same conditions associated with the Group's performance at the end of a three-year period as the exercise of the conditional stock options. The definitive allocation is also subject to conditions associated with the executive's presence within the Group, save in exceptional cases as provided for in the plan.

As such, the LTI plan No. 11 granted on 23 September 2008 renders the effective allocation in the future of 100% of the shares subject to the achievement of a Group's operating margin for the 2010/11 fiscal year that is equal to or higher than 10%. If the Group's operating margin for the 2010/11 fiscal year is between 9.5% (included) and 10% (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 9% (included) and 9.5% (excluded) and that no shares will be allocated if the operating margin is less than 9%.

These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

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.

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 2007 and 2008 plans (LTI No. 10 and LTI No. 11). 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 within these plans 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 performance shares.

Moreover, rules of conduct applicable within the Group in case inside information is held, prevent any sale of shares during periods preceding the approval of the Group's results and more generally when inside information is held (see page 154).

Summary of the main characteristics of the stock options plans granted

As of 31 March 2009, the total number of options that can be exercised according to the outstanding plans corresponds to 3.12% of the share capital as of such 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)	Plan No. 11 included in plan LTI No. 11 (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	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	23 Sept. 2008
Initial exercise price (1)	€1,320	€523.60	€240	€17.20	€35.75	€74.66	€135	€66.47
Adjusted exercise price (2) (3)	€409.60	€162.60	€77.20	€8.60	€17.88	€37.33	€67.50	-
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	23 Sept. 2011
Expiry date	23 July 2009	7 Jan. 2010	6 Jan. 2011	16 Sept. 2014	26 Sept. 2015	27 Sept. 2016	24 Sept. 2017	22 Sept. 2018
Number of beneficiaries	1,703	1,653	5	1,007	1,030	1,053	1,196	411
Total number of options (adjusted if any) (2) (3)	328,980	333,390	94,828	5,566,000	2,803,000	3,367,500	1,697,200	754,300
Total number of exercised options	0	0	5,000	3,965,992	684,040	55,000	0	0
Total number of cancelled options (2) (3)	178,574	180,158	17,102	479,000	127,000	203,750	54,000	11,805
Number of remaining options to be exercised as of 31/03/09 (2) (3)	150,406	153,232	72,726	1,121,008	1,991,960	3,108,750	1,643,200	742,495
Percentage of capital as of 31/03/09 that may be created	0.052%	0.053%	0.025%	0.390%	0.692%	1.081%	0.571%	0.258%
Number of shares that may be subscribed by members of the Executive Committee (2) (3) (4)	2,580	4,028	72,726	139,000	180,000	525,000	298,000	197,500
of which number of shares that may be subscribed by Mr. Patrick Kron as of 31 March 2009	-	-	58,292	-	-	240,000	115,000	80,000

(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. Then option plans No. 3, 5, 6, 7, 8, 9 and 10 have been adjusted to take into account the two-for-one split in the par value from €14 to €7 as of 3 July 2008.

(4) Refers to members of the Executive Committee as of 31 March 2009 and not to members as of the grand date.

	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)	Plan No. 11 included in plan LTI No. 11 (conditional options)
Terms of exercise/ Performance conditions (5)	• 1/3 of options can be exercised from 24/07/02. • 2/3 of options can be exercised from 24/07/03. • All options can be exercised from 24/07/04.	• 1/3 of options can be exercised from 08/01/03. • 2/3 of options can be exercised from 08/01/04. • All options can be exercised from 08/01/05.	• 1/3 of options can be exercised from 07/01/04. • 2/3 of options can be exercised from 07/01/05. • All options can be exercised from 07/01/06.	• 100% of options can be exercised from 17/09/07, 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 27/09/08.	• 100% of options can be exercised from 28/09/09 if the 2007/08 Group operating margin (the "2007/08 Margin") is equal or 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%. Performance condition met: 100% of the options will be exercisable	• 100% of options can be exercised from 25/09/10 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%.	• 100% of options can be exercised from 23/09/11 if the 2010/11 Group operating margin (the "2010/11 Margin") is equal or above 10%. • 80% of options can be exercised if the 2010/11 Margin is between 9.5% (included) and 10% (excluded). • 40% of options can be exercised if the 2010/11 Margin is between 9% (included) and 9.5% (excluded). • No option can be exercised if the 2010/11 Margin is below 9%.

(5) The exercise is also subject to employment condition within the Group unless exception.

Conditional stock options granted to ALSTOM's Executive and non-Executive Directors (*"mandataires sociaux"*) during fiscal year 2008/09 and options exercised by them

The total number of options granted during fiscal year 2008/09 under plan No. 11 to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the only Executive Director (*"dirigeant mandataire social"*) of the Company, and the number of options exercised by him during such fiscal year are indicated in the section of the Chairman's report related to the compensation of Executive and non-Executive Directors (see page 168).

The Company has granted no options to any other Directors during fiscal year 2008/09 or under plans previously implemented by the Company.

Conditional stock options granted during fiscal year 2008/09 to the ten employees who are not ALSTOM's Executive or non-Executive Directors and who received the largest number of options

A total of 179,600 conditional options was granted to the ten employees who received the greatest numbers of options (other than "mandataires sociaux") under stock options plan No. 11.

Stock options exercised during fiscal year 2008/09 by the ten employees who are not ALSTOM's Executive or non-Executive Directors and who exercised the largest number of options

	Number of shares subscribed (1)	Average share price (1) (in €)
Total number of options exercised during the fiscal year by the ten first employees who are not Executive or non-Executive Directors and who exercised the largest number of options	169,268	14.35

(1) Relates to exercise of options of plan No. 7 and No. 8. Figures have been adjusted to consider the two-for-one stock split as of 7 July 2008.

Summary of the main characteristics of the free performance share allocation plans granted

As of 31 March 2009, the total number of performance options that can be delivered according to the three outstanding performance share plans corresponds to 0.27% of the share capital as of such date.

	2006 Plan (performance shares)	2007 Plan (LTI No. 10) (performance shares)	2008 Plan (LTI No. 11) (performance shares)
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	23 September 2008
Initial number of beneficiaries	57,305 people of whom 47,038 beneficiaries of shares and 10,267 beneficiaries of the cash equivalent to be paid on 16 March 2010.	1,289 beneficiaries	1,431 beneficiaries
Initial number of rights entitling their holders to an allocation of shares (1)	1,128,912 shares	252,000 shares	445,655 shares
Number of remaining rights as of 31 March 2009 entitling their holders to an allocation of shares (1)	114,000 shares	242,920 shares	436,631 shares
Final delivery of the shares (subject to performance conditions) (1)	• 19 May 2008 for 926,808 shares • 19 May 2010 for 114,000 shares	• 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.	• For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2010/11 (e.g. May 2011). • For beneficiaries of companies outside France: 24 September 2012.
Percentage of capital as of 31 March 2009 that may be created	0.04%	0.08%	0.15%
Number of shares that may be delivered to members of the Executive Committee (1) (2)	120 shares	12,000 shares	22,000 shares

(1) Plans 2006 and 2007 have been adjusted to consider the two-for-one stock split as of 7 July 2008.

(2) Refers to the Executive Committee as of 31 March 2009.

	2006 Plan (performance shares)	2007 Plan (LTI No. 10) (performance shares)	2008 Plan (LTI No. 11) (performance shares)
Performance conditions (3)	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%.	• 100% of the shares delivered if the 2010/11 Group operating margin (the "2010/11 Margin") is equal to or above 10%. • 80% of the shares delivered if the 2010/11 Margin is between 9,5% (included) and 10% (excluded). • 40% of the shares delivered if the 2010/11 Margin is between 9% (included) and 9,5% (excluded). • No shares delivered if the 2010/11 Margin is below 9%.
Shares retention period	For shares finally delivered on 19 May 2008: 2 years (shares can be sold as from 20 May 2010). For shares to be 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 (4).	2 years, except for shares to be delivered on 24 September 2012 unless exception set forth by the plan (4).

(3) Final allocations are also contingent upon attendance requirements within the Group unless an exception is made within the plan.

(4) A specific holding requirement applies to the members of the Executive Committee (see page 183).

PLAN 2006

The first plan granted in 2006 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 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.

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 have been effectively delivered to beneficiaries of certain countries on 19 May 2008 after the initial two-year acquisition period (which is followed by a two-year holding period of the shares) and the remaining shares will be delivered 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 at the end of the acquisition period.

Free allocation of shares to ALSTOM's Executive and non-Executive Directors (*"mandataires sociaux"*) during fiscal year 2008/09

The total number of performance shares granted during fiscal year 2008/09 to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the Executive Director ("Dirigeant mandataire social") of the Company, under Plan LTI No. 11, is indicated in the section of the Chairman's report related to the compensation of Executive and non-Executive Directors (see page 169).

The Company has granted no performance shares to any other Executive or non-Executive Directors during fiscal year 2008/09 or under Plan 2006 previously implemented by the Company.

Free shares allocated during fiscal year 2008/09 to the ten employees who are not ALSTOM's Executive or non-Executive Directors and who received the largest number of free shares

A total of 25,280 performance shares was granted to the ten employees who received the greatest numbers of conditional free shares (other than "mandataires sociaux") under Plan LTI No. 11.

A total of 150 free shares was granted by the Board of Directors held on 4 May 2009 (fiscal year 2009/10) under the "Alstom Sharing 2009" offering referred to below, to the ten employees who received the greatest numbers of free shares (other than "mandataires sociaux") under this offering (maximum allocation capped at 15 shares per subscriber).

FREE SHARES PLANS FOR THE SUBSCRIBERS OUTSIDE FRANCE TO "ALSTOM SHARING" OFFERS

Within the employee share purchase schemes called "Alstom Sharing 2007" and "Alstom Sharing 2009" reserved for Group employees and former employees participating in the Group's savings plan in 19 and 22 countries respectively including France, implemented during the fiscal years 2007/08 and 2008/09, the Board of Directors decided that the employees outside France subscribing to the "structured" formula will receive, instead of the employer company match offered to the subscribers to this formula in France, shares allocated for free by ALSTOM. These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

Alstom Sharing 2007

After having acknowledged 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. The Board consequently, decided that a maximum number of 51,336 new shares of par value €14 each to be issued by the Company (or 102,672 shares of par value €7 each following the two-for-one split in the par value of the share dated 7 July 2008), 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, 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.

These free shares will be issued and delivered in one time to the participants on 1 July 2013, after the acquisition period ending on 30 June 2013 (unless early delivery events) 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.

Alstom Sharing 2009

Within the framework of the Alstom Sharing 2009 offering, after having acknowledged the completion of the capital increase reserved for members of the Alstom Group Savings Plan ("plan d'épargne groupe") and of the capital increase reserved for Sharing Plus, the Board of Directors, acting pursuant to the powers granted to it by the shareholders' meeting dated 26 June 2007, decided on 4 May 2009 to carry out the free allocation, the principle of which had been decided on 23 September 2008. Consequently, the Board of Directors decided that a maximum amount of 137,817 new shares to be issued by the Company of par value €7 each would be allocated for free to subscribers of the offering known as Two for One 2009 residing outside of France in Australia, Belgium, Brazil, Canada, the Czech Republic, China, Germany, India, Indonesia, Italy, Malaysia, Mexico, the Netherlands, Poland, Portugal, Romania, Spain, Sweden, Switzerland, the United Kingdom, and the United States within the proportions set by the terms of the offering and up to the limit of a maximum amount of 15 free shares per participant.

These free shares will be issued and delivered to the participants in one time on 1 July 2014, after the acquisition period ending on 30 June 2014 (unless early delivery events) 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.

Summary of the characteristics of the outstanding free share allocation plans carried out within the framework of the "Alstom Sharing" offerings

	Alstom Sharing 2007 Plan	Alstom Sharing 2009 Plan
Date of shareholders' meeting	26 June 2007	26 June 2007
Date of Board meeting	26 September 2007 – 18 March 2008	23 September 2008 – 4 May 2009
Initial number of beneficiaries	13,400 beneficiaries exclusively outside France	11,068 beneficiaries exclusively outside France
Initial number of rights entitling their holders to an allocation of shares (1)	102,672 shares	137,817 shares
Number of remaining rights as of 31 March 2009 entitling their holders to an allocation of shares	102,132 shares	N/A
Issue and final delivery of the shares	1 July 2013	1 July 2014
Percentage of capital as of 31 March 2009 that may be created	0.04%	0.05%
Number of shares that may be delivered to members of the Executive Committee (1) (2)	8 shares	-
Performance conditions	N/A	N/A
Shares retention period	N/A (unless exception set forth by the plan)	N/A (unless exception set forth by the plan)

(1) Alstom Sharing 2007 Plan has been adjusted to consider the two-for-one stock split as of 7 July 2008.

(2) Refers to members of the Executive Committee as of 31 March 2009.

The total maximum number of shares that can be delivered according to the two outstanding "Alstom Sharing" share plans corresponds to 0.08% of the share capital as of 31 March 2009.

EMPLOYEE PROFIT-SHARING

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)	2006	2007	2008
Statutory employee profit sharing agreements	9.3	12.5	17.5

Specific profit sharing

As of today, more than 98% of employees in the Group's French subsidiaries benefit from 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 specific profit sharing plans for the past three fiscal years are as follows:

Fiscal year ended 31 March (in € million)	2006	2007	2008
Specific employee profit sharing plans	15.6	25.5	36.9

Employee savings plan and retirement savings plan

Today, Alstom's French employees can invest their savings resulting from profit-sharing, specific profit-sharing, or voluntary savings in the Group Savings Plan not invested in the Company securities or in a "PERCO" collective savings and retirement plan. This latter plan receives an employer matching contribution from the Company in the maximum amount of €500 for €1,500 contributed over the year. In 2008, the French employees contributed €24.4 million in the Group Savings Plan and €10 million in the PERCO savings plan. These contributions to the PERCO triggered an employer matching contribution of €1.4 million paid by Alstom.

Employee shareholdings within the Group savings plan

Within the Group Savings Plan, employee savings can also be invested in the Company securities.

Since its initial public offering and first listing, the Company implemented four share capital increases reserved for the employees participating in the 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 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 stock split, 84,452 new shares at €480 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 (equivalent to, after the par value split, 2,490,732 new shares at a price of €7 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. 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 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 (or 700,024 shares of par value €7 each following the two-for-one par value split), corresponding to a capital increase par value amount of €4,900,168 and issued at a price of €113.93 per share (or €56.97 following the par value split) 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 (or 8 shares of par value €7 each following the split). 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 (see page 188 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 (corresponding to an amount of 513,616 shares at a price of €56.97 each following the par value split).

During fiscal year 2008/09, a new employee share purchase scheme called "Alstom Sharing 2009" reserved for Group employees (and former employees) with three months' seniority was offered within the PEG in 22 countries including France through an offer called "Two for One 2009" and a "classic" offer.

The capital increase brought in the subscription of 743,606 shares with a par value of €7 each, corresponding to a capital increase par value amount of €5,205,242 (i.e 0.26% of the share capital as of 31 March 2009) and issued at a price of €30.84 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 2014, with the exception of the occurrence of early exit events.

In addition, outside of France, the employer matching contribution offered within the framework of the "Two for One 2009" offering was replaced by a free allocation of shares implemented by the Board of Directors held on 4 May 2009 (see page 188 for information on this free allocation).

The transaction also 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 protection of the subscriber's personal contribution in the "Two for One 2009" offer, in certain countries outside of France which took the form of an allocation of Stock Protection Rights by the employer.

This capital increase bears on the subscription of 348,505 shares of a par value of €7 each, issued at the unit price of €30.84, and representing a par value capital increase amount of €2,439,535.

These capital increases were completed on 30 April 2009.The new shares issued on such date will give rise to the dividend in respect fiscal year 2008/09.

As of 31 March 2009, the Group's employees and former employees hold approximately 1.32% 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 2008/09

The following transactions have been declared to the AMF 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	1	€3,397,200.00
	Shares	Sale	5	€13,078,679.88
Persons linked to **Patrick Kron**, Chairman and Chief Executive Officer	Shares	Sale	2	€3,528,059.77
Walter Graenicher, Member of the Executive Committee, President of Power Service Sector (1)	Shares	Subscription	2	€172,000.00
	Shares	Sale	2	€1,612,500.00
Gérard Hauser, Director	Shares	Acquisition	1	€18,500.00
Alan Thomson, Director	Shares	Acquisition	1	€20,474.00
Henri Poupart-Lafarge, Member of the Executive Committee, Chief Financial Officer	Shares	Sale	5	€4,421,308.50
Bouygues SA, Director	Shares	Acquisition	13	€75,155,959.96

(1) At the time of the transaction.

4

Corporate Governance

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 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 referred to in Article L. 225-42-1 of the French Commercial Code, which are the payment subject to performance condition of a severance indemnity equal to twice his latest gross annual global remuneration, the upholding under certain conditions, of all the rights to the stock options and the performance shares granted to him before the term of his mandate, and the entitlement to the supplemental collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan, were approved by the shareholders' meeting held on 24 June 2008 within the framework of the regulated agreements and commitments procedure.

At this meeting dated 4 May 2009, the Board of Directors acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to receipt of any severance payment, as well as to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office (see page 165 of this section).

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, Chairman and Chief Executive Officer, presently concern (i) the entitlement to the additional collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan from which benefit all persons exercising functions within the Group in France, the base annual remuneration of which exceeds 8 times the French Social Security cap, as well as (ii) the upholding, in the event of termination of his mandate as initiated by either the Company or himself, of only the rights to exercise the stock options and the rights to the delivery of the performance shares, that will have been definitively vested as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

The Independent Auditors 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 23 June 2009 on related party agreements and undertakings. This special report is presented on page 131.

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 expiring 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 FOR FISCAL YEAR 2008/09

The Independent Auditors' fees for fiscal year 2008/09 are included under Note 32 to the consolidated financial statements for fiscal year 2008/09.

NEW TERMS OF OFFICE

The terms of office of the Independent Auditors will expire following the shareholders' meeting dated 23 June 2009 convened to examine the financial statements of the fiscal year ended 31 March 2009. It will be proposed to this shareholders' meeting to undertake the following nominations, as proposed by the Board of Directors and recommended by the Audit Committee following a selection process carried out via a call for tenders, for a term of six fiscal years which will expire when the Ordinary General Meeting will be called to review the accounts for fiscal year 2014/15:

Independent Auditors

PricewaterhouseCoopers Audit

represented by Mr Olivier Lotz
63, rue de villiers
92200 Neuilly-sur-Seine

Mazars SA

represented by Mr Thierry Colin
61, rue Henri Regnault
92400 Courbevoie

Deputy Auditors

Mr Yves Nicolas (Deputy Auditor of PricewaterhouseCoopers Audit)

63, rue de villiers
92208 Neuilly-sur-Seine cedex

Mr Patrick de Cambourg (Deputy Auditor of Mazars SA)

61, rue Henri Régnault
92400 Courbevoie

EXTERNAL AUDIT CHARTER

In June 2003, ALSTOM and its Audit Committee formalised with ALSTOM's Independent Auditors an audit charter applicable until 31 March 2009 when the current Independent 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 Independent 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;
- annual presentation of fees received per assigned duty in the networks that the statutory auditors belong to.

This charter was regularly updated especially in case of changes of legal and regulatory provisions. It will be updated following the Audit Committee's approval, after approval of the Independent Auditors' nominations proposed to shareholders at the shareholders' meeting convened on 23 June 2009.

5 SUSTAINABLE DEVELOPMENT

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 2008/09, the Group continued to implement consolidated indicators for all its sites to assess the social and environmental impact 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 and Corporate responsibility

All people involved in economic development are becoming increasingly aware of the challenges related to global population and economic 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). Future generations will face increasing 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 climate.

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 solutions optimise the use of natural resources and limit the emissions of greenhouse gases.

The implementation of these solutions is local. Therefore, Alstom is by nature a local actor, providing a long-term commitment to local communities and striving to take on its responsibility as a leading multinational corporation wherever it operates.

Alstom's corporate responsibility policy aims to:

- offset the impact of its activities on the environment and preserve health and safety both for its employees and the people working in its sites;
- increase involvement in the life of surrounding local communities while taking into account the expectations of its partners and stakeholders;
- shape the company of the future along with the employees.

Alstom implements its sustainable development and corporate social responsibility (CSR) policy through a range of programmes combining the Group's general goals with more specific targets managed by Sectors, while allowing ample scope for initiatives at the local level. This policy is outlined in subsections "Environmental information" and "Social Information".

The Group's first priority lies in implementing its policies and ensuring compliance with the relevant standards across the full range of its operations.

To strengthen its commitment, Alstom has teamed up with a number of leading bodies working to promote corporate involvement in an overall Sustainable Development:

- Alstom joined in 2008 the Global Compact, designed to encourage companies to commit to a set of key values spanning human rights, labour standards, environmental protection and non-corrupt business practices. Alstom is actively involved in this network.
- The Group also joined in 2009 the World Business Council for Sustainable Development (WBCSD), which comprises 190 international firms campaigning to promote the three pillars of sustainable development: economic growth, environmental balance and social progress.
- Alstom Transport has signed the sustainable development charter drawn up by the International Association of Public Transport (UITP).

POWER SECTOR: SUSTAINABLE DEVELOPMENT STRATEGY

While current generations must provide power to over a billion people who don't have access to electricity, future generations will need to deal with a booming population (expected to reach nine billion people by 2050) and the resulting demand for electricity.

Emissions of carbone dioxide (CO_2) and pollutants in electricity generation

More than 40% of the world's CO_2 emissions emitted by fossil combustion come from electricity production. CO_2 is seen as one of the main greenhouse gases responsible for climate change. The past few years have witnessed a push from the international community to reduce greenhouse gas emissions, with the emergence of increasingly stringent regulations. Regularly held international conferences such as those in Rio de Janeiro in 1992, Kyoto in 1997, Bali in 2007, Poznan in December 2008 and Copenhagen in December 2009 enable progress in the search for much-needed global solutions.

In this context, the European Commission set out a three-pillar strategy in March 2007: cut greenhouse gas emissions by 20%, reduce energy intensity by 20% and boost the proportion of renewable energy in power generation to 20%. In order to provide the necessary technical support for these goals, the European Commission introduced a series of directives and in December 2008, it adopted its energy and climate package, designed to improve and extend the existing EU Emissions Trading Scheme (ETS) and set national targets for the growth of renewable energy. China has implemented for 2007 a strategy to boost the use of renewable energy to 15% by 2020. The United States announced in March 2009 its own renewable energy plan, entitled "New Energy for America".

As Alstom is a major contributor to these efforts and firmly believes that a full energy mix is a must to meet the needs in electricity generation, it offers a wide range of solutions with improved efficiency of power plants to reduce the use of fossil fuels and limit greenhouse gas emissions, developing technology to capture CO_2 and other air-borne pollutants such as sulphur oxide, nitrogen oxides and mercury, and promoting non CO_2 solutions such as hydro, wind and nuclear power solutions.

Improving fossil energy efficiency

Coal discharges more CO_2 than any other energy source but will remain a major source of power because it is widely available, easy to obtain and not expensive. Improving the efficiency of coal-fired facilities therefore has a direct impact on CO_2 emissions: estimates suggest that a 2% gain in efficiency cut CO_2 emissions by 5%.

With regard to new equipment, energy efficiency means in particular finding ways to handle increasingly high temperatures in the steam cycle. The next step for these advanced cycles is to reach temperatures of 700°C, which would bring energy efficiency to 50% by 2020, thereby reducing CO_2 emissions by over 40% compared with 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 retrofits enables Alstom to significantly improve plant efficiency. This means more power from the same amount of fuel, longer plant life and major savings, coupled with a significant reduction in CO_2 emissions.

Improving energy efficiency also means upgrading gas-fired power plants, with the objective to reach an efficiency rate of 60%.

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 fuels. By 2015, Alstom expects to offer power plants able to capture a large portion of CO_2 emissions.

To capture CO_2 emitted by a power station burning fossil fuels, Alstom is primarily concentrating on post-combustion and oxy-combustion technologies. These technologies have the advantage to be potentially used also in existing power plants. Pilot plants in the USA, Sweden, Norway, Germany, Poland and Canada are now testing the latest Alstom technology.

Developing renewable energy

HYDROPOWER

To date, Alstom has provided 25% of the world's total installed hydropower capacity and has supplied over 400 GW of the total installed capacity from turbines and generators around the world. Alstom Hydro supplies the full range of equipment (turbines, generators, control systems, valves and penstocks), with an output of between 5 MW and 900 MW, for all head types, whether for new facilities or for servicing and refurbishment needs.

Alstom constantly strives to satisfy all of its customers'needs, implementing innovative solutions to better meet operational requirements. Breakthroughs include Alstom's exclusive double-stage pump turbines, which greatly improve efficiency at high-head plants while reducing civil-engineering costs. Another example: the development of variable-speed pump turbines, which provide extensive operating potential and meet specific grid needs in terms of flexibility. Alstom Hydro recently entered phase two of the Nant de Drance power plant in Switzerland, the embodiment of variable-speed technology.

Alstom Hydro works constantly to offer new solutions to minimise the environmental impact of its equipments. One example is the water-based solutions developed for turbine to replace conventional oil-based technology, eliminating risk of river pollution.

Other innovations include ventilation technology to increase the oxygen content of water downstream from dams.

WIND POWER

Alstom gained a strong foothold in the wind-power market in 2007 with the acquisition of Ecotècnia. Since then, the subsidiary has benefited from the Group's international network and technological support to supply turbines with a power of up to 3 MW, for both local wind-power facilities and international operations. Ecotècnia also has a limited activity in solar power.

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 retrofits of coal-fired power plants.

Developing nuclear electricity

Alstom is one of the main contributors to the world nuclear renaissance, one of the solutions to provide CO_2 free energy and a quick ramp up of capacity. Alstom designs, manufactures and delivers state-of-the-art products and systems for the conventional islands of nuclear power plants. Alstom's nuclear power conversion solutions are based on its ARABELLE™ steam turbine technology. Thanks to its single-flow steam expansion, the ARABELLE™ architecture ensures a greater performance with notably a higher efficiency. Alstom's portfolio covers all plants, both existing and new ones. Alstom has provided 30% of turbine islands for nuclear power plant in the world.

TRANSPORT SECTOR: SUSTAINABLE DEVELOPMENT STRATEGY

By 2015, the number of cities in the world with a population in excess of one million will have increased from 300 to over 550. Nearly 350 million people will live in megacities of over 10 million inhabitants. At the same time, passenger rail traffic is set to significantly increase. Rail transport equipment is more than a solution, it is a strategic stake, on which Alstom naturally position itself, to support economic growth, to transport more people and more goods further and more quickly while reducing road congestion and urban pollution.

Rail transport is already seen as the most environmentally friendly of the different available forms of transport, which account globally for 21% of the world's CO_2 emissions and 26% of the world's energy consumption. Transport Sector continues nevertheless to put environment protection at the heart of its strategy.

Eco-design

The life cycle of a train represents an investment in the future because it covers such a long period (about thirty years). Alstom integrates environmental parameters into its trains at the design stage with a view to achieving sustainable mobility. This process consists of controlling and reducing the impact that products have on the environment at every stage of their life cycle, from manufacturing to recycling. The Transport Sector has established an "Eco-design" Centre of Excellence, located in Valenciennes, France, and set in 2008 an eco-design policy, spanning the design of the products as well as the manufacturing processes.

Product design anticipates energy performance at various stages in the product's lifetime. The environmental impact of most products with regard to air, water and ground pollution, the consumption of raw materials, the emission of greenhouse gases, the destruction of the ozone layer and the production of hazardous waste are assessed by the Environmental Information and Management Explorer (EIME™) software program Alstom helped develop.

By anticipating changes in the law, Alstom is already planning the elimination of certain substances and materials that are harmful to the environment, such as the hexavalent chromium used in treatment baths for the surface of brackets and electric components. Alstom also carries out research on using biomaterials from renewable resources such as wood, hemp and sheep's wool as thermal and/or sound insulation in trains. The oils used in trains are now biodegradable.

When Alstom designs products, it already foresees the end of the product life cycle. It favours easily-recyclable materials such as aluminium, steel and copper. Riveting and bolting are preferred when assembling parts to facilitate end-of-life recycling. Of all the trains on the market, the CORADIA™ Duplex and CORADIA™ Continental models in service in the Stockholm area in Sweden are the most easily dismantled. METROPOLIS™ and CITADIS™ trams are now at least 85% recyclable and this figure can be up to 95%, as illustrated by the Hamburg metro in Germany. Stockholm's suburban CORADIA™ Lirex™ train holds the record for recyclability at 98%.

Trains to meet the needs of future generations

For several years, Alstom has incorporated sociological factors into its product design to meet the needs of current and future generations. From very early on, Alstom focused on ensuring accessibility for all and integrated this concept into the core design of all its products. In 1987, the Grenoble tramway, designed in conjunction with associations for the disabled and government bodies, was the first vehicle to feature a low floor over 70% of its length. Alstom was also one of the signatories of France's National Accessibility Charter in December 2003.

Alstom engineers work on interior design to meet the needs of future generations. They design products to suit the users of tomorrow, particularly those who will be riding Alstom trains in 30 years' time. For example, they have already planned and factored in changes in the morphology of passengers and on-board personnel such as the increased height of current and future generations. Those future constraints are integrated with a higher ceiling and an appropriate axle load. AGV™ bodies have been widened to provide space for more comfortable seats.

Trains designed to preserve their surroundings

Alstom has fully integrated concerns about preserving heritage such as landscape and nature in the long term. Its priority is to keep its footprint to an absolute minimum and to protect its surroundings.

Alstom developed the first diesel particulate filter for trains. The CORADIA™ Lint™ regional train, in use in Germany's Frankfurt region, has a particle emission rate of under 0.025 g/kWh and is the first diesel train in the world to be fitted with a filter reducing soot particle emissions by 95%. Its conception anticipated the 1999 EU directive on particle emissions (1999/30/EU) setting European standards for soot particle emissions in all Member States by 2012.

With its range of conventional CITADIS™ tramways, Alstom is the first manufacturer to develop a range of "wireless" solutions enabling tramways to be integrated harmoniously into their urban environment: APS ground-level power supply is a revolutionary electricity supply system. APS was first used on the Bordeaux tramway in France but has also recently been chosen by the cities of Angers, Orleans, Reims (France) and Dubai (United Arab Emirates). Another solution, the onboard batteries that give tramways increased range and enable them to cross protected urban areas without drawing on a local power supply. This technology was developed for rolling stock used on the Nice tramway in France in order to preserve the historic centre of the city.

Optimal energy use

The need to protect the environment in the face of growing urbanisation implies a dramatic reduction in the use of energy. The train is the most competitive means of motorised transport in this field.

The high-speed train AGV™ recently developed by Alstom consumes the equivalent of only 0.4 litre of fuel per 100 km, three times less than a bus (1.2 litre per 100 km), eight times less than a car (2-3 litres per 100 km) and 15 times less than an aeroplane (5-7 litres per 100 km) (Source: ADEME).

Likewise, Alstom's next-generation metro train, such as the MF2000, now replacing Paris' metro fleet, consumes 30% less electricity than the train sets currently in use.

This ongoing reduction in energy consumption is largely a result of efforts to lighten trains. This generally means using composite materials and improving the effectiveness of traction systems and the articulated architecture of train sets. Alstom has reduced the weight of its high-speed trains, its METROPOLIS™ and its regional trains by 10-15%. Alstom's engineers have particularly devoted efforts to reduce the weight of the AGV™, optimising carriage design to lighten metal parts, designing an exterior skin with a thickness of only 2.5 mm and introducing composite materials in the transoms linking the bogies to the carriages. As a result, the power-to-weight ratio of the AGV™ is clearly superior to that of the high-speed train TGV (1). Over an equal length, the AGV™'s articulated architecture cut weight by 70 metric tons compared with a traditional two-bogie architecture. The AGV™ consumes about 15% less energy than a TGV.

As part of its efforts to ensure optimal energy use, Alstom is also working to offset energy loss wherever possible. Progress made in the area of traction enables most Alstom trains (metros, regional CORADIA™ trains, PRIMA™ locomotives, TGV and AGV™) to recover power during braking. Their braking systems combine a rheostatic brake (which dissipates energy in the form of heat) and a power-recovery brake. Energy generated by the motors during braking phases but not consumed by the train can be fed back into the electricity power network. The train's electronic management system allows CORADIA™ drivers to use the correct amount of power and thus control the train's energy consumption. Elsewhere, engines with permanent magnets used on the CITADIS™ and AGV™ provide improved efficiency.

To retain this competitive edge in environmental solutions, Alstom continues its research efforts, particularly at its TGS Engineering System centre at Saint-Ouen, France, where research is being carried out on projects such as the HESOP™ reversible station, which will enable almost all electric energy recoverable from trains with regenerative braking systems to be fed back as direct current. Alstom is also validating other rail solutions that use less energy, particularly units that can work in hybrid mode (energy provided by different types of engines) or dual mode (ability to function on both electrified and non-electrified rail tracks). Depending on the outcome of current tests and on market demand, it is likely that some of these solutions, particularly hybrid shunting engines enabling a reduction of up to 40% of energy consumption compared with a conventional solution, will be on the market by 2010.

Passenger comfort

The reduction of noise pollution is another environmental aspect which Alstom engineers pay particular attention to. Alstom uses aero acoustic modelling to reduce noise levels, both inside and outside trains. These digital models make it possible to define the ideal combination of aerodynamics and acoustic impact: the easier it is for a train to penetrate the air, the less turbulence and noise pollution there will be.

In the field of very high speed, acoustic comfort has been substantially improved. This performance has been achieved on the one hand by using models, and on the other through work carried out on the front of the train set to improve air penetration and by streamlining the leading bogies. Rolling noise in recent generations of the TGV has been considerably reduced in comparison with that in the first generation designed 25 years ago, with a saving of ten decibels, three times less noise. The new PENDOLINO™ has also been streamlined to reduce the noise produced at roof level, the sound insulation has been increased under the body and dampers have been placed on the wheels, to minimise noise when the train is moving.

The AGV™ has benefited from the very latest research in train aeroacoustics, particularly on the leading carriage. Besides using insulating materials and positioning the bogies between carriages (which limits rolling noise), the acoustic comfort of the AGV™ at 360 kph has been maintained at the same level as that of its main competitors at 300-320 kph.

Using insulating materials and improving wheel-rail contact by means of acoustic dampers has reduced the noise of the METROPOLIS™ by seven decibels compared to the previous generation.

Research is also under way to reduce vibration levels in trains with a focus on ballast, which deadens vibrations through "rheological" properties (how it affects dissipation of vibratory energy). Elastomer base plates have already been placed under the sleepers on the new line built by Alstom between Paris and London to diminish vibrations caused by train movement.

(1) TGV is a trademark registered by the SNCF.

Environmental information

Alstom's main contribution to environmental protection lies in the technologies it offers. It also aims at offsetting the environmental impact of its activities.

MANAGEMENT SYSTEM

Roles & responsibilities in managing the environmental impact of Group activities

The Group defines the strategy, the global objectives and coordinates transversal programmes. The Sectors implement the Group policy and define their own priorities and action plans. The Environment, Health and Safety (EHS) units also launch specific action plans according to their local priorities. An EHS unit is an operational entity with a common management of Environment, Health and Safety issues.

The EHS structure comprises a central team at Group level with EHS directors within the Sectors backed by a network of more than 300 EHS coordinators working within EHS units and/or production and project sites.

Alstom implements a decentralised approach, with each EHS unit in charge of assessing its own environmental performance, launching action plans to meet relevant targets, and reporting its environmental data.

Environmental performance self-assessment

As part of the campaign to reduce its environmental footprint, the Group's 158 units have to conduct a self-assessment of their environmental performance using a standard chart described in the "EHS Roadmap". This assessment covers a range of areas including environmental management, water, ground and air pollution, waste production and recycling, and site security. It also deals with health and occupational injury prevention. This allows the units to set their targets with a view to ensuring continuous improvement. The EHS roadmap has been updated in 2008 to improve consistency with ISO 14001 and OHSAS 18001 requirements.

The sites are required to obtain a score of 3.5 or more on a scale of 1 (lack of awareness) to 5 (excellence). At 31 December 2008, 96 EHS units had conducted their self-evaluation on the full roadmap.

The "EHS Roadmap" is also used for formal assessments conducted either by external consultants or by trained in-house specialists. 147 assessments took place over the 2008/09 fiscal year. The Group aims to conduct full evaluations at all production sites every three years, with an update assessment every year.

Reporting system

In 2006, Alstom introduced a reporting system to assess environmental performance on a monthly and quarterly basis. The goal is to promote greater awareness among the employees of the company regarding the impact on the environment and to monitor programmes and action plans.

The indicators refer to the Global Reporting Initiative (GRI) and are specified in the Group's reporting handbook, which is updated every year. The environmental reporting system comprises 34 indicators and covers the permanent facilities.

The number of EHS units rose from 134 to 158 over the past fiscal year, due to:

- the integration of new entities acquired in 2007/08, including Ecotècnia in Spain, and Sizhou and Wuhan Boilers in China;
- an extensive review of the structure of the EHS reporting system and its alignment with financial reporting;
- the extension of the reporting scope to Russia and Morocco;
- an expansion of Alstom operations in countries such as South Africa and the United States of America.

The system currently covers an estimated 98% of employees with regard to safety information and some 90 to 95% with regard to environmental information depending on indicators.

Reporting was enlarged on 1 April 2008 in order to include data on coal consumption, sulphur hexafluoride (SF_6) and hydrofluorocarbons (HFCs) emissions.

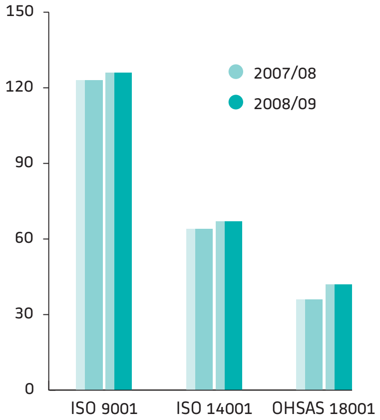
The Group uses the same data-collection tool to consolidate all information, based on standard definitions for all physical units.

Alstom also carried out its first environmental survey at manufacturing sites to collect additional data on emissions of nitrogen oxides (NO_x), sulphur oxide (SO_2) and waterborne pollutants. The EHS units concerned account for more than 80% of the Group's water and energy consumptions.

CERTIFICATION OF THE SITES

At 31 March 2009, of the 158 Alstom EHS units, 126 qualified for ISO 9001 certification (quality), 67 for ISO 14001 certification (environment) and 42 for OHSAS 18001 certification (safety).

Number of certified units



Source: Alstom.

REDUCING THE INTENSITY OF ENERGY USED AND GREENHOUSE GASES PRODUCED BY THE OPERATIONS

Since 1 April 2006, the Group has collected environmental data on energy consumption at each of its sites, except construction sites. This information has allowed Alstom to meet greenhouse gas emission reduction in line with international targets, including those set by the European Union.

Energy Consumption

Energy consumption

	Calendar year 2007	Calendar year 2008 Perimeter 2007	Calendar year 2008 All Alstom
GWh of natural gas	579	774	780
GWh of butane, propane and other gases	22	23	23
GWh of oil	53	87	88
GWh of steam/heat	123	138	138
GWh of electricity	574	585	612
GWh of coal & other fuels	-	-	71
Total energy consumption (GWh)	**1,351**	**1,607**	**1,712**

Source: Alstom.

CO_2 emissions

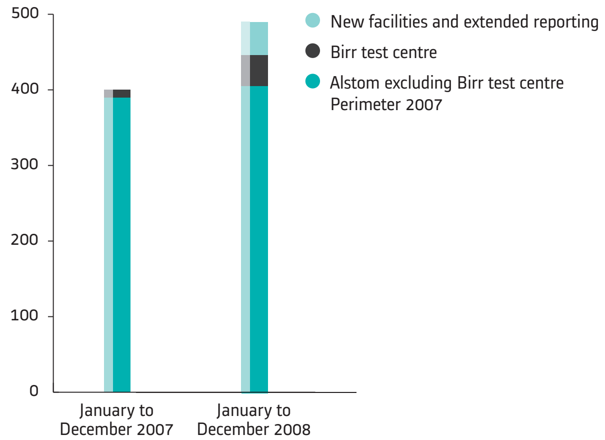
	Calendar year 2007	Calendar year 2008 Perimeter 2007	Calendar year 2008 All Alstom
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption (ktons)	136	185	211
Indirect CO_2 emissions from steam, heat and electricity consumption (ktons)	263	262	280
Total CO_2 emissions (ktons)	399	447	491
Energy intensity (MWh per € million sales)	-	-	104.7
Intensity of CO_2 emissions (tons per € million sales)	-	-	30.0

Source: Alstom.

These data apply to Alstom entities operating within the Group for the full fiscal year, including newly-acquired entities such as Sizhou and Wuhan (China) and Ecotècnia (Spain), acquired in 2007.

A significant part of the variation is due to the strong development of the testing activity in the Birr Test Centre (Switzerland).

Evolution of CO_2 emissions in Alstom Group (Ktons)



Source: Alstom.

Reducing the intensity of energy and greenhouse gases by 20% by 2015

During fiscal year 2007/08, the Group announced plans to target a 20% reduction in the intensity of energy and greenhouse gases linked to its operations by 2015. This reduction will be computed on the basis of data collected 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 sales. Alstom has implemented a protocol to assess greenhouse-gas emissions according to the different sources, in accordance with the GHG Protocols of the World Business Council for Sustainable Development, the World Resources Institute and ISO 14064-1 requirements. The Group has also defined specifications for energy assessments and submitted them to the French "Environment and Energy Management Agency" (ADEME).

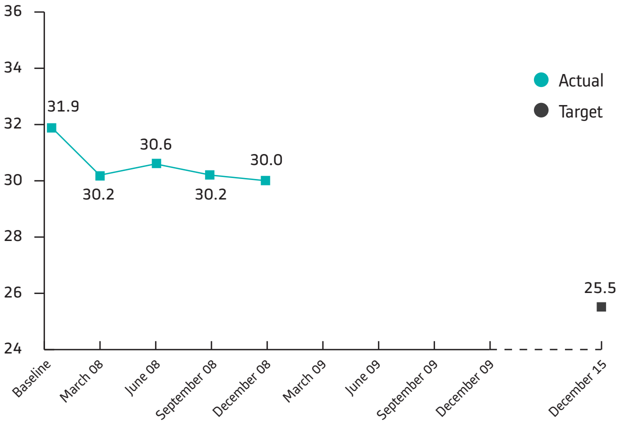
In 2008, the objective to assess a number of sites representing at least half of total Group energy consumption was reached. During the fiscal year 2009/10, the return of experience will benefit most sites, enabling them to implement the recommended good practices. The studies identified approximatively 10% reduction in consumption through action plans with a return on investment less than three years. All sites covered by the 2008 assessments are now implementing action plans.

Several sites under construction (Wuhan Boilers in China, Massy in France, Chattanooga in the United States of America) or extension (Durgapur in India) have also been designed taking into account energy savings.

Alstom publishes emissions data in the Carbon Disclosure Project survey, an initiative launched by a group of investors. Data cover both direct and indirect emissions, with the exception of emissions from construction sites and company vehicles. Energy consumption by company vehicles will be published next year.

Estimates suggest that Alstom has already succeeded in reducing the intensity of its CO_2 emissions related to energy consumption by 6% despite an overall increase of emissions due to business expansion and intensive operation of its Birr test facility in Switzerland (see chart).

CO_2 intensity (Tons CO_2 / M€ sales)
12 rolling months up to December 2008



The baseline is made of 2006/07 data where available, 2007/08 data for the rest of installations and 12 first months of activity for new units.

The Group now collects data for emissions of other gases falling under Kyoto Protocol (SF_6, PFCs and HFCs). For 2008, these emissions are estimated to reach 5 ktons CO_2 equivalent.

Quotas under the EU Emissions Trading Scheme

The Group is not currently operating power plants, with the exception of test facilities. To date, only two French sites are subject to emission quotas under the EU Emissions Trading Scheme (ETS): Alstom Power TurboMachines which operates a heating facility used to supply all companies at the Belfort site (France) and the Reichshoffen site (France) operated by Alstom Transport. The Alstom Power Service site, also in Belfort, is no longer subject to emission quotas. Allowances of approximately 13,856 metric tons are distributed each year to the two sites under the 2008-2012 French national allocation plan (Plan National d'Affectation des Quotas) for greenhouse-gas emissions. In compliance with regulations, these sites declare their emissions, which are then checked by an approved body, and return the corresponding quotas.

Alstom's main test centre located in Birr (Switzerland) is also allowed to emit up to 36,000 metric tons of CO_2 per year between 2008 and 2012. The facility is used to test gas turbines in real-life conditions and the generated electricity is fed back into the Switzerland's power grid.

OFFSETTING OTHER ENVIRONMENTAL IMPACTS

Water consumption

Water consumption

	Calendar year 2007	Calendar year 2008 Périmètre 2007	Calendar year 2008 All Alstom
Cubic metres of public network	2,367,000 *	2,415,000	4,214,000
Cubic metres of ground water	1,591,000 *	1,588,000	1,700,000
Cubic metres of surface water	628,000 *	625,000	625,000
Total water consumption (in cubic metres)	**4,586,000 ***	**4,628,000**	**6,539,000**

* Figures 2007 rectified.
Source: Alstom.

Group reporting also covers water consumption although worldwide fixed targets have not been set. The most concerned sites have already implemented their own action plans. Alstom's site in Ornans (France), for instance, which develops and manufactures engines for the Transport Sector, has long pursued an intensive water-management policy to safeguard a nearby river, which is a listed site known for the quality of its fishing. Steps have been taken to stop pumping water from the river by installing a cooling system, saving 195,000 cubic metres a year and to re-use flushing water of the new phosphate-coating production line.

Waterborne discharges

Alstom has just released its first figures on the discharges into the water system.

Discharges in manufacturing sites: calendar year 2008

Chemical Oxygen Demand (kg)	198,000
Suspended Matters (kg)	113,000
Hydrocarbons (kg)	2,700
Metals (kg)	416

Data from the environmental survey at manufacturing sites accounting for more than 80% of the Group's water consumption and monitoring water quality.
Source: Alstom.

The impact on the quality of the waters discharged by the Group's production facilities are globally considered as relatively limited, although certain sites may at times be confronted with specific issues.

Airborne emissions

Alstom has just released its first figures on the emission of Volatile Organic Compounds (VOCs).

VOCs emissions: calendar year 2008

VOCs (metric tons)	560

Data except Sizhou (China) and Salzgitter (Germany).

Initiatives are taken in order to reduce the VOCs emission. As an example, Alstom Transport experts conducted in-depth research with suppliers and customers as part of the drive to standardise painting techniques in Europe. Efforts have made it possible to provide water-soluble paints for most of the rolling stock. Around 900 metric tons of paint are used every year. The new "fully water-based" or mixed paint systems cut annual tonnage by 200 metric tons, the equivalent of two thirds of VOCs emissions inherent to paintwork operations.

The new technology also improves the working conditions and safety of employees, who are far less exposed to solvents. The goal is to increase the overall use of these paints before 2010.

Alstom has also released its first figures on nitrogen oxides (NO_x) and sulphur oxide (SO_2) emissions.

SO_2 and NO_x emissions in manufacturing sites: calendar year 2008

SO_2 (metric tons)	95
NOx (metric tons)	194

Data from the environmental survey at manufacturing sites accounting for more than 80% of the Group's energy consumption.

These emissions result mainly from the use of direct energy sources on sites: gas, oil and coal.

Waste management

Alstom has just released its first figures on waste management over the Group perimeter.

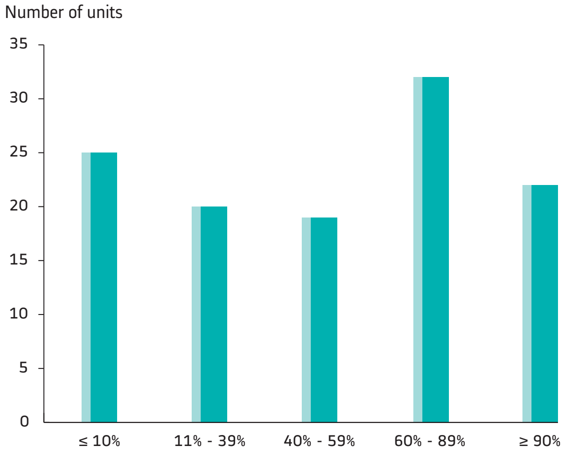
Waste management: calendar year 2008

Waste production (metric tons)	132,000
Of which hazardous waste (metric tons)	8,000
Of which recycled waste (metric tons)	71,000
% of recycled waste	53%

Source: Alstom.

EHS units are responsible for setting waste targets. The following table shows the rate of waste recycling in EHS units reporting on this indicator (118 units).

Waste recycling in Alstom EHS units
Calendar year 2008



Source: Alstom.

Examples of achievement

A number of action plans have already been implemented on a local level to offset the environmental impact of operations, including selective sorting, reduced paper consumption, waste collection and awareness campaigns for employees.

The following are just a few examples of recent efforts to offset the environmental impact of Group activities.

Employees are encouraged to help make sites more environmentally friendly. In Saint-Ouen, France (2,100 employees), for instance, pro-active employees have set up a "Green Circle" (*Cercle Vert*) group which submits ideas on ways to improve operations such as a "green" guide, information on what happens to waste once it has been sorted and a study on car-pooling spanning a number of sites. All these initiatives carry the same logo across all site communications.

The Shahabad foundry in India received an award from the Institute of Indian Foundrymen (IIF) in 2008 for its work to protect the environment, which includes measures to reduce the use of sand in the foundry moulds by 35%.

The Birr factory in Switzerland was awarded a certificate by the Swiss Foundation for Nature and the Economy (*Fondation Suisse pour la Nature et l'Économie*) in recognition of the plant's application of best environmental practices in site management. Over the past ten years, the site has done away with the use of pesticides and fertilizers. The factory's parkland also provides a shelter for endangered species.

ELIMINATING ASBESTOS

Alstom does its utmost to comply with the latest health and safety regulations, particularly in terms of risks related to asbestos. An internal instruction in August 2006 reminded the complete ban on the use of asbestos in the Group and relevant documentation was drawn up to make this policy comply with 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 progresses with the introduction of a policy to eliminate asbestos from all buildings used by the Group worldwide, when reasonably achievable, including in countries where such materials are not prohibited. The policy comprises several stages: the first stage requiring a full inventory of asbestos-containing materials at all manufacturing and service sites, and the presence of regularly updated asbestos documentation; the second stage bringing in an independent consulting firm to identify needs in terms of technical appraisals (detecting asbestos), estimating potential cost of removal and compiling short, medium and long term action plans. By end March 2009, 75 buildings had reported no trace of asbestos and, in another 35, an eradication plan is being implemented. 30 buildings are currently under review.

Social information

WORKFORCE

The figures in the following tables include permanent and fixed-term contracts.

Group workforce at 31 March 2009

Breakdown by region

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Workforce	48,747	13,030	4,555	14,118	1,243	81,693
Long-term absentees (LTA)	845	74	104	275	1	1,299
% of total workforce	59.7	15.9	5.6	17.3	1.5	100

Breakdown by category (Including LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total	% of total workforce
Engineers & managers	21,658	4,241	1,445	5,905	461	33,710	40.6%
Other employees	27,934	8,863	3,214	8,488	783	49,282	59.4%

Breakdown by Sector in percentage (% of total workforce, including LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	% of total workforce
Power Systems	19.3	4.4	2.6	12.1	0.2	38.7
Power Service	14.3	8.6	0.2	3.6	0.5	27.2
Transport	24.6	2.8	2.6	1.5	0.7	32.1
Other	1.5	0.2	0.09	0.1	0.07	1.9

Breakdown by gender (% of total workforce by region, including LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Men	83.4	88.7	86.5	83.3	81.6	84.4
Women	16.6	11.2	13.5	16.7	18.4	15.6

Breakdown by type of contract (including LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Permanent contracts	46,373	8,093	4,620	11,645	780	71,511
Fixed-term contracts	3,219	5,011	39	2,748	464	11,481
Temporary workers	2,521	444	257	840	80	4,142
Interns	1,249	65	174	132	3	1,623

Workforce changes during 2008/09 fiscal year (including LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Hiring on permanent contracts	6,293	1,234	902	2,448	267	11,144
Hiring on fixed-term contracts	3,202	4,830	945	678	406	10,061
Resignations	1,137	321	162	838	26	2,484
Redundancies	268	334	1	13	0	616
Other departures *	1,975	390	407	632	57	3,461

* Not including disposals and acquisitions.

GROUP HUMAN RESOURCES POLICY

Alstom's Human Resources (HR) policy, in addition to its conventional missions, contributes to shaping the Group in relation to the evolutions of the economic, social and technical environment.

The conventional missions include ensuring that retiring employees pass on their skills to others, integrating new comers and younger employees, dealing with a wide range of cultures, and rewarding fairly employees' contribution. They also include new challenges such as the evolution of working practices, the development of network activities and the use of new communication technologies.

In addition, the Group must adapt its organisation to better match the customer expectations. It must improve its performance, effectively integrate newly acquired entities and significantly reinforce its presence in countries such as China, India, South Africa and Russia.

Finally, stakeholder expectations for a stronger involvement of the Company on Corporate social responsibility subjects call for more detailed social reporting, increased transparency and behaviours which are fully respectful of people and environment.

Alstom's HR policy contribute to these goals and focuses on three directions:

- developing corporate culture by sharing the Group's vision and values;
- preparing the resources which the Group will need in the future;
- increasing operational efficiency.

Current policies are summarised in a brochure updated in 2009 and issued to Alstom managers. These policies cover all Group sites. A survey was conducted in the 20 countries in which Alstom employs over 600 people (France, Germany, the UK, Switzerland, Spain, Italy, Croatia, Romania, Poland, the Czech Republic, the United States of America, Mexico, Brazil, Canada, China, Indonesia, Malaysia, India, Belgium and Sweden) representing 87% of Alstom's workforce. This survey provided data on remuneration by category and by gender along with information on training, employment of people with disabilities, employee representation, child labour and forced labour, life insurance coverage, profit sharing, freedom of association, discrimination and action to benefit local communities. The definitions used for each of these indicators are defined in correlation with the Global Reporting Initiative (GRI).

Sharing the vision and values

ALSTOM VALUES

Values

The Alstom's three values – trust, team and action – contribute to bringing together employees around a common culture and enhance the sense of belonging to the Group. They are indicated in the Group's Code of Ethics, which is distributed to all employees. They are further explained via awareness campaigns and training programmes, especially for new employees. During the fiscal year, over 2,000 employees participated in an e-learning programme launched in March 2008 in seven languages; local communication action have been tailored to different cultures.

A 2009 survey in the service activities assessed how the values were perceived by the employees. 71% of the employees participated, compared with 66% the previous year, representing an increase of 1,500 participants. The results show that employees actively share Alstom's values and view them as instrumental in the company's success.

Respecting ethical guidelines

Alstom's growth is based on a culture of integrity and uncompromising ethical principles covering employees, shareholders, customers, suppliers and competitors. The Group issues its Code of Ethics, reminding the Alstom's values, to all employees. The Code includes, in particular, an alert procedure which can be used by any employee who considers that a law or regulation is not complied with in terms of corruption, anti-trust practices or in case of irregularities related to insider trading or accounting. The identity of people who exercise this right is kept confidential wherever possible. In the United States of America, the company provides "The Alstom US business Conduct Hot Line" for this very purpose. This hotline guarantees anonymity.

The mission of the Ethics and Compliance department which has been given additional resources is to define the rules and procedures for business transactions and individual integrity, to update them regularly and to check their implementation, with the support of the Internal Audit department if necessary. This "Alstom Integrity Programme" also provides training to circulate the appropriate messages to the relevant employees within the Company. Around 1,000 employees were trained during the fiscal year.

In addition, in the frame of the continuous improvement of its ethics and compliance procedures, Alstom required that an independent body examine and validate these procedures. This certification process was run from September 2008 to March 2009 by a group of international experts, together with the Swiss audit company SGS. It resulted, in March 2009, in an Ethic Intelligence International certification of the rules and procedures regarding the Group's relations with its consultants and commercial agents. The report indicates that the rules and practices used in the Group in this field meet the best international standards.

EQUAL OPPORTUNITY

Gender equality

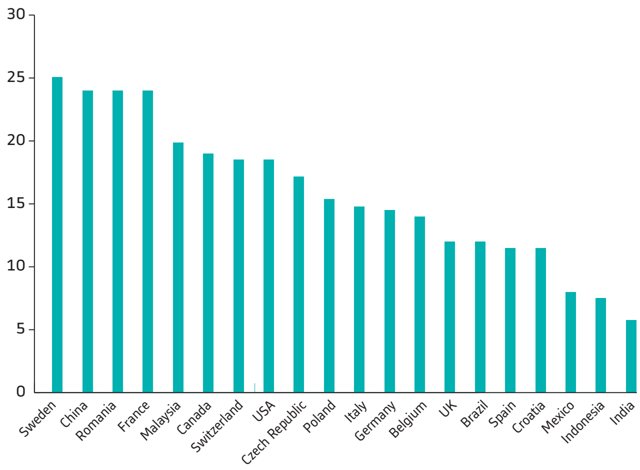
It is the Group's policy to promote equal opportunities for men and women on the basis of equal employment and qualifications. This principle is included in Alstom's Code of Ethics and in the company's HR policy "It's all about people".

Although in the past its professions have attracted a majority of male engineers, Alstom attaches great importance to ensuring better integration of women. Women currently represent only 16% of the total workforce versus 15% during the previous fiscal year, and their proportion among new employees has increase to 19%. The percentage of women managers and professionals is 16%.

Women represent 6% of all senior management staff (1,200 people) at 31 March 2009, compared with 4% in 2006.

The proportion of women in the headcount varies greatly between countries. Women represent 25% of the headcount in Sweden; 23% in China, France and Romania; 19% in Malaysia and Canada; 17-18% in the United States of America, the Czech Republic and Switzerland; and 10-15% in Poland, Belgium, Brazil, Germany, Italy, Spain, the UK and Croatia. The figure is below 10% in Indonesia and Mexico, 5% in India.

Percentage of women headcount in 2008/09



Source : Alstom.

The Group has no specific targets for the percentage of women in its total workforce. However, it follows the evolution of these indicators and actively promotes diversity.

Alstom Transport France, which employs 8,500 people, signed an agreement on diversity and equal opportunity with the trade unions on 9 January 2009 to set up a "Diversity and Equal Opportunity Committee" which will monitor application of the agreement in France and set relevant targets. This agreement includes:

- a programme to raise awareness and coach management boards and senior executives on the challenges related to diversity;
- a recruitment policy designed to create more international teams, attract more women and employees over the age of 45, and encourage a wider diversity in the profiles within the workforce.

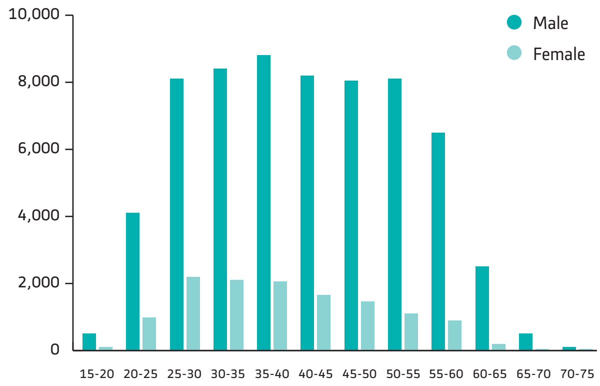
The "Diversity and Equal Opportunity Committee" will broaden its review of best practices on diversity to cover all areas in which Alstom Transport operates. Alstom Transport France has recruted 2,071 new employees since January 2006 of which 23% of whom are women.

Alstom is also involved in promoting industry careers among female students in several countries in partnership with relevant associations. In the United States for example, it is a member and sponsor of the Society of Women Engineers (SWE). Founded in 1950, 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 helps young female engineering students find out more about opportunities in industry. In this context, 300 female students were put in contact with over 60 Alstom "mentors", taking part in round-table discussions on innovative business opportunities, and visiting sites.

Finally, to better adapt to changes in society, Alstom Transport France signed a "Parenthood Charter" (Charte de la parentalité) in 2008, sponsored by the Ministry of Employment, charter by which it commits to promoting balance between personal and professional lives for both the men and women. Talks are already under way between management and employee representatives in order to materialise this commitment.

Alstom has conducted a survey in 20 countries representing 87% of the total headcount, in order to assess possible discrepancies in compensation between men and women. The results are difficult to interpret for a number of reasons, in particular because of the very limited number of women in certain categories and of differences in position and seniority. The same survey regarding training shows that 19% of the employees having participated in training sessions within the Group are women, and that their average training length is slightly higher than for men.

Age pyramid by gender – March 2009



Source: Alstom.

Employment of disabled people

Group subsidiaries are required to comply with country-specific legislations promoting 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.

The following table shows the results of a survey, conducted in 20 key countries, to measure the integration of people with disabilities in the total workforce. The data are significant only where local regulations set minimum quotas:

	Calendar year 2007	Calendar year 2008
France	3.1%	3.4%
Brazil	4.3%	4.8%
Germany	5.7%	5.5%
Italy	2.5%	2.4%
Spain	0.2%	0.5%

The Sectors also implement their own initiatives, often through contracts awarded to workshops and firms employing disabled people for certain supplies or services. For example, work clothes worn by Power Service Sector employees in China are made by The Hong Kong Factory for the Blind.

In Argentina, Alstom has launched a campaign to raise awareness and provide training for corporate recruiting officers to promote the integration of people with disabilities. Alstom Brazil has implemented a similar action plan. France has also taken active steps in this direction, with Alstom Transport signing an agreement on 9 January 2009 to renew the contract signed in 2006 which enabled it to make progress in this field, in particular in terms of recruitment of disabled people.

The Transport Sector has adopted a global approach to ensure its products are designed to be more accessible to disabled people. In 1987, the Grenoble tramway, designed in partnership with associations for the disabled and local representatives, was the first vehicle to provide low-floor access along 70% of its length. Since then, Alstom 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.

Upward mobility

Diversity implies also the promotion of internal upward mobility, both social and professional and the Group has introduced schemes in several countries. In Argentina, for instance, a training programme will allow five workers aged 29 to 55 to pursue their scholarship up to the equivalent of secondary-education qualifications, providing new career opportunities. In France, the "Promotion Cadre" programme is designed to provide access to management positions. During the fiscal year, 72 employees benefited from this training, which lasted over 200 hours.

Facilitating access to employment

Promoting diversity means giving people a second chance and providing assistance for those facing difficulties in accessing to employment. Alstom support programmes initiated by government and local associations to favour integration of this people.

In Taubaté, Brazil, Alstom opened its first "Escola Formare Alstom" in March 2008. The school aims to facilitate the integration of 20 young people from underprivileged backgrounds between the ages of 16 and 17 by offering them one year's training in a professional environment. 103 Alstom employees volunteered to train the young people who officially received a diploma on 30 March 2009. Half of them were recruited directly by the Company.

In La Courneuve, France, Alstom signed an agreement with the French government in 2007 to help young people from underprivileged neighbourhoods access to employement, based on three types of insertion programme: providing information and promoting the company's activities, encouraging active internship programmes and improving access to employment for young people from these neighbourhoods. Alstom exceeded its targets by recruiting 50 young people, including 12 on apprenticeships, the very first year.

At its Grenoble plant, France, Alstom Hydro has launched a campaign in partnership with local insertion organisations in order to counter the lack of turbine welders on the local market by selecting, training and integrating people interested in a career as a welder. Ten people signed up for the programme, which involved operational managers and human resources; this has already resulted in four welders being hired at the end of their official training course.

Promoting diversity

Alstom is well aware of the strength resulting from its employees' large number of nationalities, range of cultures and different approaches and it aims to offer each and every one the same opportunities.

As diversity is closely related to local cultures and has to take into account the expectations of stakeholders, Alstom introduced a special programme in March 2009, asking each site to set specific targets to promote diversity and to draw up action plans to reach these goals.

In the United States of America, Alstom supports the Society of Hispanic Professional Engineers (SHPE) and the National Society of Black Engineers (NSBE), organisations which promote training and access to employment for young engineers from ethnic minorities. The Group has also set up partnerships with various on-line employment websites with a focus on promoting diversity.

Two indicators reflect this policy: the number of French senior executives has decreased from 52% in 2006 to 45% in 2009 while the number of expatriates coming from Asia to Europe has increased by 40% over one year.

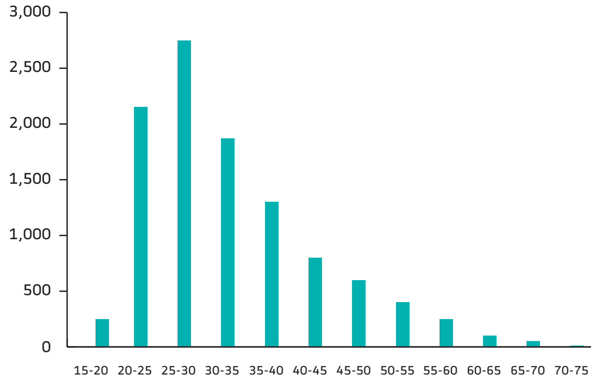
In June 2008, Alstom signed a two-year agreement with the International Association for the Exchange of Students for Technical Experience (IAESTE) and an agreement with the "Internationale Association des Étudiants en Sciences Économiques et Commerciales" (IASEC) to promote international exchange programmes involving students, universities and companies. These associations facilitate the selection and recruitment of students as well as the administration of their applications, in particular visas, residence permits and accommodation.

Managing senior career

The management of the career of senior employees in France is defined in an agreement signed at Group level in January 2006. An updated agreement was signed in February 2009; its content is described in the "Employee relations" paragraph below.

Age is obviously not a discrimination criterion. Over the fiscal year, nearly 1,300 people aged over 45 were hired, corresponding to 12% of the new recruits.

Age pyramid of new hires - 2008/09



Source: Alstom.

EMPLOYEE RELATIONS

Alstom promotes information sharing, consultation and negotiation of collective matters with employee representatives. This aspect of the company's employee relations policy is covered in the Code of Ethics.

Alstom has signed many local agreements with employee representatives. Examples include contracts on training in Spain, Italy and Croatia as well as an agreement on employee benefits in Romania, profit sharing in Italy, early retirement in Belgium, the role of the works council in Croatia and on optimising employees' work-life balance in Spain. Elsewhere, agreements focus largely on remuneration and working conditions. In France, management planning for competencies and ages within the Group has led to a new agreement negotiated over the second semester of 2008 and signed in February 2009. The agreement focuses primarily on anticipating the evolution of positions and on using all tools related to management planning of resources and skills such as the right to personal training plans and the development of internal mobility through greater awareness of job opportunities within the company. It also sets out specific career-management measures for senior employees as well as a solution to favour external mobility for employees holding decreasing positions.

Alstom Management works with the European Works Forum (EWF). The composition of the EWF was enlarged in July 2007 from 28 to 32 members to improve the representation of 18 countries, including four new members: the Netherlands, Norway, Croatia and Russia. Since its creation, the EWF has essentially worked on reorganisation projects within the Group, in line with changes in Alstom's economic situation. Its focus is now turning to other subjects and, this year, it has been on the Group's corporate social responsibility policy, the anticipation of competency evolutions and the reorganisation of the Transport Sector. Alstom intends to favour these exchanges in order to benefit from the input of the employee representatives on these subjects.

An internal survey, conducted in 20 countries in which Alstom employs over 600 people and representing 87% of the Group headcount, indicates that 71% of the Group employees are covered by a collective bargaining, either national or intra-company.

Social dialogue also includes other types of exchanges with employees, such as information meetings and discussions arranged by managers. More broadly, Alstom encourages actions to foster a culture of initiative and responsibility.

Alstom Wuhan Engineering and Technology (AWEC), which employs 2,000 people in China, received an award from "Wuchang District Trade Union" for its exemplary employee management relations. The award is given to companies who build a stable, balanced working relationship with their employees. The award highlights Alstom's contribution to the building of housing, to the implementation of individual appraisal schemes and to the development of company culture. AWEC is the one of the very first firms with international shareholders to receive this award.

EMPLOYEE INVOLVEMENT

Employees' motivation is also central to Alstom policy. The Power Sector has introduced satisfaction surveys to better identify employees' expectations and assess their awareness of the challenges facing the company.

The following table shows turnover in employees on a permanent contract in each region:

Fiscal year 2008/09	% resignation	% other departures *
Europe + Africa/Middle East	2.46	4.75
Asia/Pacific	7.20	5.54
Americas	3.80	8.90
Total	**3.47**	**5.62**

* "Other departures" include employees dismissed, retired or made redundant.

The resignation rate, which also reflects the reality of the general employment situation of the geographical areas in which the company operates, is one of the criteria used to determine the level of satisfaction of the Group employee. It is closely monitored, at both Sector and regional levels.

Initiatives aim to encourage employee motivation and creativity. One example is the "Power Innovation" campaign introduced within its service activity by the Power Sector several years ago. It is designed to identify and promote ideas on how to improve products and manufacturing processes. More than 420 ideas have already been implemented, and have led to new product development and improvements in project management. More than 1,700 people have taken part in "Power Innovation".

In order to encourage creativity and collective projects within the Group, Alstom's Executive Committee has decided to create an "Innovation Board", comprising representatives from a range of functions. The Innovation Board aims to define and implement action plans designed to support relations with outside bodies (such as universities, research centres and start-ups), favour the emergence and exchange of new ideas and practices within the Group, and increase the visibility for innovative approaches.

In 2008, the Innovation Board launched the "Alstom Innovation Awards", an in-house competition designed to reward employees who have successfully imagined and implemented innovative solutions. Over 850 Alstom employees have taken part in the competition, submitting 250 applications. The Jury selected:
- a CO_2 capture process using oxy-combustion;
- a hybrid cooling system set up at an electrical plant in Hungary;
- a new reconditioning technology for gas-turbine parts;
- a "fully versatile" manufacturing process for carbody shells;
- a real-life recruitment session held in the virtual world of Second Life;
- the AGV™, the Group's next-generation very high speed train developed by Alstom, using its own funds received a special 2008 award.

PROFIT SHARING

Alstom aims to develop profit-sharing schemes, making employees benefiting from the results of their entities, in subsidiaries in which this kind of remuneration complies with the local legislation and when it corresponds to employee expectations. An internal survey, conducted in 20 countries representing 87% of the Group headcount, indicates that 25% of the Group employees are covered by a profit sharing scheme and €54 million were attributed to them in France, Italy, Mexico, the United States of America, Poland, Brazil and the United Kingdom.

All French subsidiaries concerned by the law of 7 November 1990 have entered into statutory employee-profit-sharing agreements ("*accords de participation*"). To date, 98% of the French employees are covered by a specific profit-sharing plan ("*accord d'intéressement*"). For more information on statutory profit-sharing agreements and specific profit-sharing plans in France, see the section "Corporate governance – Interests of the officers and employees in the share capital – Employee profit-sharing".

EMPLOYEE SHAREHOLDING

Since its initial public offering and first listing, the Group has implemented five capital increases reserved for employees (June 1998, August 2000, November 2004, December 2007 and February 2009) and a plan to allocate free shares to all employees in May 2006.

Alstom launched the last programme "Alstom Sharing 2009" in early 2009, open to 70,000 employees in 22 key countries covering approximately 90% of the company's total headcount.

Around 28% of permanent employees eligible subscribed to the following options:
- the first option ("Two for one 2009") allowed employees to receive two shares for one purchased, up to 40 shares;
- the second option ("Classic 2009") gave employees the chance to acquire shares at a 20% discount on the reference price.

At 31 March 2009, current and former Group employees held 1.32% of Alstom share capital, either directly or through mutual funds. 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 the section "Corporate governance – Interests of the officers and employees in the share capital" and the section on "Additional information – Information on the share capital – Changes in share capital – Ownership of Alstom shares".

Preparing resources for the future

Alstom is a high technology company that handles large-scale, complex projects over the long term. The quality of its teams, their skills and their commitment to the Group are crucial to its overall success.

RECRUITMENT POLICY

In order to support its growth and replace its employees taking retirement, Alstom has recruited, over fiscal year 2008/09, more than 11,100 permanent employees, of which 40% are managers, engineers and professionals. Alstom employs about 81,500 people at 31 March 2009 and considers it should continue its recruitment policy at a slower pace over the next fiscal year, depending on the evolution of order intake.

University relation

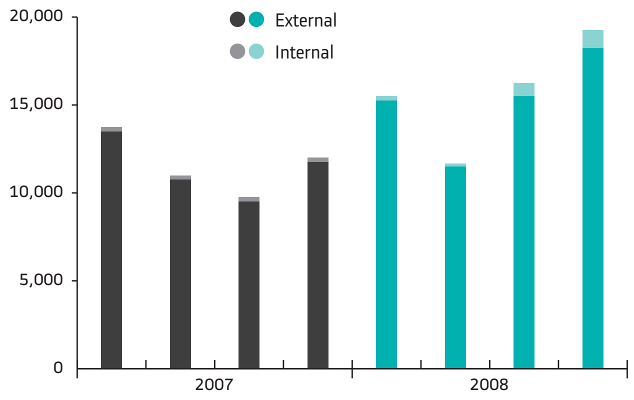
To better promote the company among the student community, the company has increased its presence within universities and on campuses. Alstom took part in nearly 500 events this year, including trade shows and other exhibitions in partnership with universities.

Relationships with universities come along with the Group's development. In April 2008, Alstom signed a partnership agreement with Beijing's École Centrale de Pekin (ECPk). The decision to help set up this school is in line with Alstom's objective to promote Chinese engineers to positions involving responsibilities and management. The Franco-Chinese training programme will help streamline induction and career development for engineers in China and in the 70 countries in which Alstom has operations. Also in China, Alstom entered into a partnership with Huazong University of Science and Technology (HUST) in Wuhan, where Alstom provides scholarships for 27 top students.

To support its development in Russia, Alstom signed in March 2009 a partnership with Moscow State University of Railway Transport, covering scientific exchanges and increased Group presence among the student community.

The number of applications sent to the Alstom website, www.careers.alstom.com, is an indicator of the Group reputation. This number rose by 25% between 2007 and 2008.

Number of accounts created by quarter 2007 & 2008
External - Internal



Source: Alstom.

Evolution of recruitment methods

To adapt itself to young graduates ways of life, Alstom increasingly uses networking sites in addition to its conventional recruitment channels. For example, in service activities in France, approximately 5% of recruitments are carried out through websites such as LinkedIn, Viadeo and Xing.

Alstom also set up a particularly effective online recruitment tool this year. This tool, currently deployed in France, the United States of America and Switzerland, allows all recruitment officers to share a single data base of applicants and handle the entire recruitment process from the initial posting to the final hire decision. This tool will be progressively deployed company-wide.

In order to anticipate its competency needs, Alstom has developed a number of recruitment programmes in its key activities, including induction, training and follow-up for new employees. In India, for instance, Alstom took on 135 young graduates in one day in July 2008 and set up a special three-month induction programme providing an insight into Alstom's various activities, followed by a more specific nine-month training programme in the relevant business units.

People Quest

Alstom's innovative "People Quest" campaign is designed to enhance the Company's attractiveness among students in regions where the need for recruitment is high. The programme brings together, within a same training programme, Group managers, university professors and students. Two sessions were organised over fiscal year 2008/09 in India and Croatia.

Integrating new employees

The strong recruitment trend requires numerous actions to facilitate the integration of new employees in their units. In addition to the initial welcome, new employees are given their own "passport" to ensure that all steps in the integration are correctly implemented.

Alstom also organises "Alstom Connection" induction sessions at Group level to help new employees get acquainted with its activities and values and build up initial network of relations within the company. Over the past fiscal year, it held three Alstom Connection sessions in Switzerland, China and India, gathering 291 participants.

Local initiatives are also implemented. In India, for instance, the "777" programme provides an interview with the human resources officer seven days, seven weeks and seven months after starting the job. These interviews result in a written report and an action plan when the employee is finding difficulty to integrate or expresses specific needs. This programme is a success and is expected to be gradually extended.

The Power Sector conducts a quarterly survey among new employees to assess the effectiveness of these programmes. In the first quarter of 2009, the satisfaction rate is 91% for the 61% of respondents. Another survey, conducted in May 2008 among recent recruits in France, across all Sectors, gave similar feedback, with 78% of respondents indicating their commitment to Group values.

CAREER DEVELOPMENT AND MOBILITY POLICY

This policy aims to ensure all Alstom employees benefit from an annual performance interview, including objective setting, and a career development plan. At 31 March 2009, over 23,000 people are concerned, representing 76% of the managers, engineers and professionals, and 32% of the total headcount.

In 2008, in order to help assess employee performance, Alstom updated its competency model, providing guidelines on the behaviour expected of line personnel, managers and senior executives according to twelve criteria such as the ability to motivate others, to innovate or to assess risks. The chart also provides details on most of the technical skills required for different functions, such as finance, project management and engineering.

People review are progressively implemented at Group level; 15,000 employees were concerned by this process over the fiscal year representing an increase of 50% over the previous year.

In order to meet the competency needs of the units and to satisfy the employee's expectations for career development, Alstom encourages mobility within the company through an in-house promotion policy and mobility charter.

Alstom aims to favour internal promotion and has appointed 60% of its top managers through internal promotion.

TRAINING POLICY

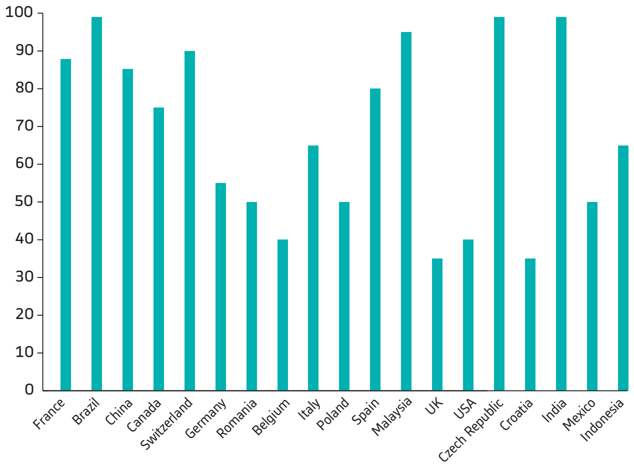
The training policy is designed and implemented by the Sectors and entities in line with both the necessary skills and know-how needed for the activity and the individual development of the employees.

This policy has led to the creation of a number of special training centres such as those set up in Belfort and La Courneuve in France for energy services: programmes are regularly updated to take into account the large portfolio of installed power plants, with both older and newer technology, as well as rapid changes in energy efficiency performance. A "Cap Savoir™" programme was initially set up to ensure employees taking retirement passed on their knowledge to others. The campaign has now been extended to cover both experienced technicians and new recruits, combining theory and practices on all aspects of power plant operation. These training courses are also open to customers, providing an opportunity to share expertise, discuss broader Alstom solutions and better understand customer's expectations. Training programmes provided by these centres lead to officially recognised qualifications and represent a real asset for service activities. Over the current fiscal year, more than 3,200 employees took courses at one of these centres.

In the same way, in Birr, Switzerland, the Power Training Center organises, with its 28 employees, technical training using both existing installations and simulators. 186 training sessions and nearly 10,000 training days were conducted for technicians in this center. The training centre is also open to customers who have largely benefited from it.

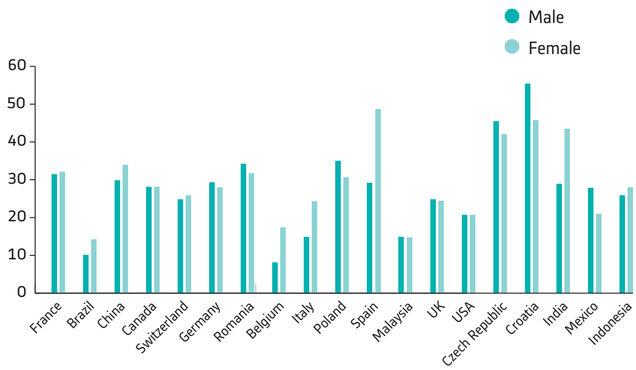
The following tables show the results of an in-house survey on training programmes conducted in 20 countries representing 87% of Alstom employees:

Percentage of employees undergone training during 2008/09



Source: Alstom.

Average training hours per trainee in 2008/09



Source: Alstom.

Alstom University

In addition to training courses organised by the Sectors, the Group's own university, Alstom University, aims to design and conduct common training for all Group activities.

Alstom University currently offers 80 training courses in seven languages, ranging from management and leadership courses to reinforce the employee expertise in specific business areas such as purchasing, finance, project management, sales and human resources. Five regional sites in Asia, Europe, India, Latin America and North America, along with the initial site at Group headquarters, facilitate access to this university for all Alstom employees.

During the fiscal year 2008/09, Alstom University trained some 5,600 people over 360 courses, an increase of nearly 60% over the previous year. In addition to general training programmes, Alstom University has developed a range of functional courses designed by managers for their teams. Some of these courses are run or jointly run by Alstom employees.

ALSTOM COLLABORATIVE WAY (ACW)

Greater efficiency involves the use of tools allowing professionals to work together more effectively, share information and knowledge, facilitate sharing of expertise around the world and provide secure information to geographically dispersed employees. Stimulating collaboration is key for Alstom, both to implement its growth strategy and to carry out major projects and complex operations in the best possible conditions. The success of a high technology company comes in part from its ability to successfully draw on the experience, diversity, creativity and expertise of its employees on every level.

Over the fiscal year, Alstom has progressively implemented a number of collaborative programmes like the Alstom Collaborative Way (ACW) project. The goal is to encourage the exchange of experience, ideas and best practices above and beyond the Sectors, operational units and countries. A number of "communities" already comprise hundreds of members from functions as various as finance, internal control and project management at Transport Sector, knowledge management at Power Sector.

Demand for collaborative tools has soared, and they are gradually becoming part of Alstom's working practices. Collaborative tools are integrated in operating procedures.

ACW figures:
- 24 LINKS groups: 1,200 users;
- 48 Wiki pages: around 10,250 users;
- 1,300 Webex meetings with more than 3,500 participants;
- 9 Docspace (electronic document management): 720 users, with 30,800 documents created.

Increasing operational efficiency

COMPENSATION AND BENEFIT

Remuneration

Employees' remuneration including benefit expenses represented 23.59% of Group sales at 31 March 2009, *i.e.* a total of €4,421 million, of which €862 million covered employer's social charges. For more information, refer to Note 29 in the Consolidated financial statements (31 March 2009) on "Financial Information".

It is the Group's policy to pay its employees on the basis of local market prices, responsibilities, competencies 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 payroll policy to address the need for external competitiveness and internal fairness. To this end, the Group has implemented remuneration surveys and a strict grading system for positions, along with a range of decision-making tools.

Alstom also aims to ensure a fair mobility policy by offering equivalent expatriation and long-term assignment conditions to all employees.

In addition to their salary, Alstom employees benefit from a range of provisions in accordance with local legislation.

Life insurance

Alstom also aims to ensure employees in all countries benefit from a life insurance and disability policy. A survey conducted in 20 countries representing 87% of the company's total headcount shows that 97% of the employees have a life insurance policy in case of accidental death; for 72% of them, this coverage is equivalent to at least one year of salary.

In countries such as Poland, employer contributions to insurance policies are seen as a taxable benefit, leading some employees to turn down the offer.

OCCUPATIONAL ACCIDENT PREVENTION

At Alstom, the prevention of occupational injury has been a top priority for many years. The Group defines the strategy and coordinates the major top priority programmes while the Sectors define the priorities at their level and the action plans in regard to their specificities, giving the Environmental, Health and Safety (EHS) units full latitude to develop their own initiatives.

Health and Safety Management system

The Health and Safety management system is similar to the environmental management system described above and based on the "EHS roadmap".

The health and safety management system is decentralized: the EHS units are responsible for their self-assessment and for the definition of action plans and objectives. At central level, the reporting on Health and Safety data allows a follow up of the EHS units performance.

This policy focuses on involvement of the hierarchy at all level to promote the right behaviours. The Heath and Safety performance indicators are analysed every month by the Executive Committee.

The EHS units apply the EHS roadmap through self-assessment to monitor progress. To ensure self-assessments are carried out according to the Alstom standards, 54 internal assessors carry out formal assessments. Assessments are also completed by external consultants. 147 internal and external inspections took place over the 2008/09 fiscal year.

Health and Safety programmes

Due to the nature of the projects' Alstom undertakes in both manufacturing and construction, there is a major risk of severe injuries. Reducing the frequency of these injuries (which is still too high) is a priority to better protect both Alstom employees and contractors' staff. In 2008/09, 11 fatalities were to be deplored, 6 of which involved personnel employed by contractors.

To address this situation and to reach its objectives, Alstom launched in 2008 a specific "Zero Severe Accident" programme, involving a number of action plans designed to:

- better manage risks related to contractors' employees;
- update self-assessment criteria;
- deploy a process to better analyse incidents in order to anticipate accidents;
- promote health and safety culture in the workplace.

These programmes are sponsored by Alstom senior managers, which ensure they are properly implemented.

Alstom has also tightened supervision of the safety measures taken during work carried out by contractors. In addition, Alstom is progressively integrating safety criteria into its contractor selection process. Measures include requiring contractors to comply with specifications on the management of environmental, health and safety issues. These requirements are embedded in the Sustainable Development Charter between Alstom and its suppliers, now implemented through a number of pilot schemes.

In addition, during the fiscal year, Alstom launched an awareness-raising campaign on occupational risks at more than 150 sites, involving the use of posters updated every month, along with meetings arranged by management to provide detailed information, explanations and a forum for discussion.

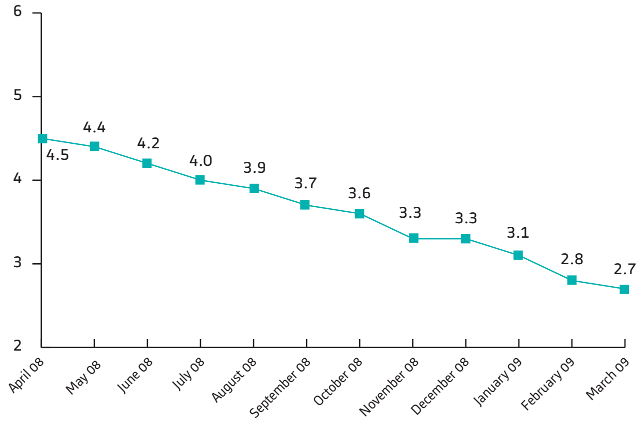
Health and Safety indicators

The reporting implemented since 2004 includes 26 health and safety indicators.

The EHS programmes have contributed to greatly reduce the number of work-related accidents, allowing Alstom to meet the target initially set for December 2010 in February 2009. The Group has now targeted an Injury Frequency Rate (number of accidents with time lost to injury per million hours worked) below 2.5 by December 2010.

The following graph shows the evolution of the Injury Frequency Rate over 12 rolling months:

Injury Frequency Rate 12 rolling months (Alstom employees)

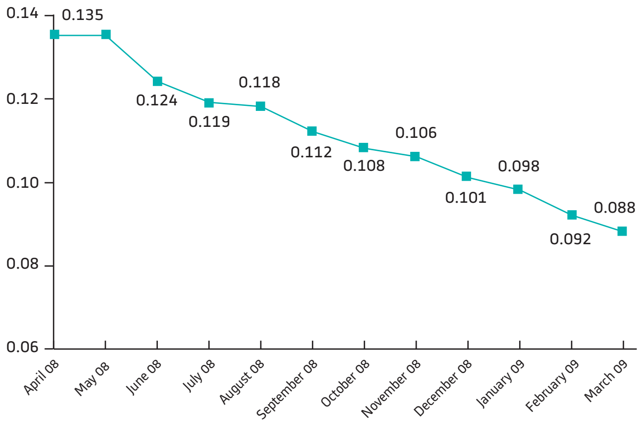


Source: Alstom.

The figures also show a significant drop in the Injury Severity Rate, which stood at 0.09 in March 2009, an improvement of 30% over one year.

The following graph shows evolution of the Injury Severity Rate (number of days lost to injury per 1,000 hours worked) over 12 months:

Injury Severity Rate 12 rolling months (Alstom employees)



Source: Alstom.

The above charts include business units fully incorporated into the Group for the entire fiscal year. Acquisitions made in China (Sizhou and Wuhan) and in Spain (Ecotècnia) in 2007 are therefore included, with data adjusted accordingly.

5
Sustainable Development

Health and Safety training

These encouraging results are partly due to significant efforts in providing training, which involved 117 sessions organised by Alstom University for some 1,669 managers during the fiscal year 2008/09, versus 359 managers for the previous year. A new training course targeting supervisors is being finalized and will be deployed during next fiscal year.

The Sectors implement specific EHS training programmes. In the Transport Sector, for instance, more than 12,000 employees (more than 40% of the Transport Sector headcount) attended in 2008 either an EHS awareness (about half of them) or a EHS training.

EHS Transport Sector trainings

Training course type	Number of training sessions delivered in 2008	Number of people having been trained in 2008	Total number of training hours in 2008
Managing EHS	34	262	3,053
EHS trainings for middle managers/"TramWay"	89	804	3,054
EHS behaviour	101	968	7,031
EHS focus for new comers	52	321	1,186
EHS Awareness	431	6,761	8,003
EHS skills: Trainings for EHS network & experts	28	164	1,410
First aid/Fire/Emergency response	156	1,576	9,498
Electrical work/Electrical risks	116	857	12,111
Lifting/Handling/Forklifts/Circulation risks	115	835	9,581
Working at height/Fall prevention	13	64	728
Ergonomics	9	87	769
Specific risks	17	150	724
Total	**1,161**	**12,849**	**57,147**

LENGTH AND ORGANISATION OF WORKING TIME

Organisation of working time

Working practices at the Group's industrial, commercial and administrative sites vary greatly depending on the site, the type of activity, its 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 time has for instance helped employees reconcile personal and working needs, and made it easier to adapt working time to suit public transport schedules.

Overtime

"Overtime" refers to hours worked beyond the legal limit set by relevant national legislation. The concept of overtime may vary from one country to the next 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 production needs, offset employee availability issues, carry out emergency operations and conduct specific tasks.

Use of external employees

The number of temporary workers as a full-time equivalent (FTE) is 5.1% of the total workforce in the first quarter of 2009.

For the fiscal year 2008/09, contractors worked an estimated 88 million hours at Alstom sites and on construction sites, corresponding to the equivalent of 46,800 people on the basis of a 40-hour working week and 48 weeks/year. For the fiscal year 2007/08, the rectified estimation is 71,5 million hours, equivalent of 38,000 people.

INFORMATION SYSTEM

The same employee information management system is used throughout the company. The main processes of individual and collective management, such as objective/performance management and remuneration management are included in this tools. It also ensures full deployment in the application of human resources policies over all sites and rationalises the different systems used in the Group.

Employees are encouraged to use directly the tool and to update their personal data, experiences and competencies. 46,000 employees have already logged on.

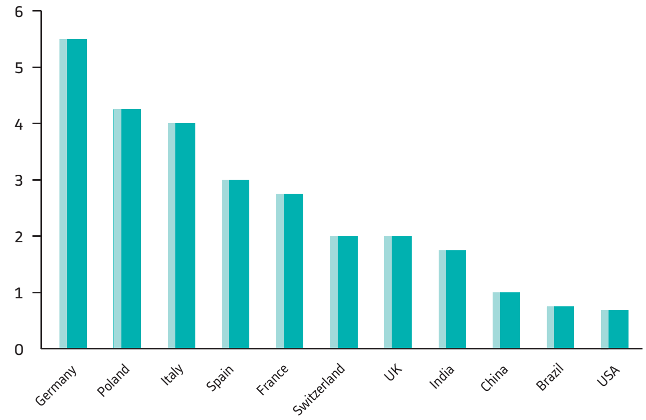
To boost the efficiency of human resources, shared services between different Sectors and entities are set up locally, particularly with regard to payroll and personnel administration. The goal is to extend these shared services.

ABSENTEEISM

The absenteeism rates are presented for 11 major countries of operations, which represent 72% of headcount worldwide.

This rate reflects the number of absence days for 1,000 hours worked. Absence days include lost days from occupational accidents and illnesses but exclude authorized absences such as holidays, studies, maternity and personal events.

Absenteeism rate - Calendar year 2008



The absenteeism rate is calculated as:

- Number of absence days/(Number of absence days x 7,5 + Number of hours worked) x 1,000.

RELATIONSHIP WITH STAKEHOLDERS

Relationship with customers

Alstom has put in place special procedures to better anticipate the needs of its customers.

In the Transport Sector, Alstom assesses the needs of customers and the market based on a number of different sources. The company regularly schedules in-depth interviews with its customers with a view to documenting market trends and key growth drivers, and gaining feedback on their views of its products and services. The Group also carries out numerous satisfaction surveys (about 40 in 2008) and reviews the reasons why it wins or loses projects. All of this information is pooled with data from different regions for analysis and is subsequently incorporated into the "Customer Needs Review", which is, in turn, used to fine-tune strategy and develop products and services.

Alstom builds a relation of trust with its customers, an approach that was recently rewarded when the company was named "Rolling Stock Supplier of the Year" by German rail operator Deutsche Bahn in September 2008 and "Best International Partner" by Russian Railways (RZD) in November 2008.

The Power Sector conducted an in-depth customer satisfaction survey in 2005, helping draw up action plans and set targets. This survey should be carried out again in 2010 to assess progress. Without waiting until then, the Sector conducted an interim online survey in December 2008 with a double objective: determine customer satisfaction and mobilise Asltom operational teams on this theme. Nearly 300 customers filled out the questionnaire, available in seven languages, with close to 600 Alstom employees taking part in a similar in-house survey. The interim survey gave an opportunity to assess the evolution in customers' satisfaction and fine-tune action plans to meet targets set for 2010.

To take into account its customers' needs above and beyond everyday dealings, the Power Sector sets up working groups comprising customers and Group experts to work on specific products and technologies. For instance, in Bali, in November 2008, 50 customer representatives using GT13™E2 technology took part in a forum to share views and experiences of the turbine's economic and technical performance. The customers expressed their questions and expectations, particularly with regard to expected technical improvements. The working group is next scheduled to meet in Berlin in 2010. This type of exchange is also extremely useful for Alstom engineers and salespeople.

Alstom Power customers have expressed great interest in setting up these "user groups" and receiving regular updates from the company. This is why Alstom has recently created a Gas Turbine/Combined Cycle (GT/CC) information bulletin.

Relationship with suppliers and contractors

Materials, components and services purchased represent around 60% of Alstom's sales. More than 30,000 suppliers and contractors around the world are closely linked to the activities and success of the Company. Alstom naturally seeks to foster long-term ties involving these partners in its growth strategy in line with a responsible purchasing approach.

Over the past two years, Alstom has initiated a policy regarding responsible purchasing. In November 2007, this policy resulted in the definition of a charter for responsible purchasing, which Asltom suppliers and sub-contractors are requested to sign on. This charter implies that the principles set in the United Nations Universal Declaration of Human Rights are respected, particularly with regard to child labour, health and safety, environment, as well as the full range of values set out in the Alstom Code of Ethics. At March 2009, 580 Alstom partners have already expressed their commitment by signing this charter. To extend the implementation of the charter, Alstom is progressively integrating it in its general purchasing conditions.

Alstom has also introduced an assessment process for its main suppliers and contractors. The assessments are conducted by Ecovadis, a company based in France and specialised in sustainable development evaluations. These assessments are based on environmental, social and ethical criteria, including supplier requirements to be passed on to secondary suppliers. More than one hundred suppliers were audited over the past year, representing nearly 5% of Alstom's total purchasing volume. The Group aims to significantly increase the number of suppliers inspected over the coming year and has already scheduled 400 audits, covering around 20% of purchases. These assessments are included in the supplier selection process.

In line with measures targeting its suppliers, Alstom has taken steps to improve training for employees on the subject of responsible purchasing. From October to December 2008, over 1,400 employees had already followed an online training on sustainable development and responsible purchasing. The training programme is available in each of the seven main languages spoken at Alstom.

Relationship with the scientific community

Alstom is an active contributor to joint projects designed to promote technology and ensure industry-wide progress.

At the European level, Alstom is partner in several projects undertaken by the "Seventh Framework Program for Research and Technology" (PCRD), a programme for research and technology providing a significant fillip 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; and onboard systems in Tarbes.

More than 11,000 Alstom engineers and researchers work on developing products and engineering solutions in 40 laboratories, R&D centres and design offices. Working closely with manufacturing sites and staff in daily contact with customers, Alstom researchers develop solutions tailored to changes in the infrastructure market.

Alstom has also implemented a strong policy of partnerships with researchers at the world's top universities. Over a hundred leading academic projects are already under way in collaboration with Alstom R&D teams: 66 with Power and 36 with Transport. Examples of collaboration: Massachusetts Institute of Technology (MIT), Stanford University, Virginia Tech, Cincinnati University in the United States, Tong and Wuhan Universities in China, Moscow State University of Railway Transport and Bauman University in Russia, the Gdansk University of Technology in Poland, Politecnico di Milano in Italy, Instituto Superior of Technology in Lisbon in Portugal, Federal Institute of Technology in Zurich (ETH) in Switzerland, Sheffield University in the United Kingdom.

Relationship with local communities

IMPACT ON LOCAL DEVELOPMENT

Participating in local development

Alstom's corporate social responsibility policy takes into account the impact of the Group business operations on local development.

In line with this commitment, Alstom has decided to invest in a venture capital fund specialised in bringing support to start-ups with strong growth potential in the "hardware technologies" and "engineering science" sectors, including microelectronics, microsystems and advanced materials, testing and measurements, robotics, energy and environmental sciences.

Alstom is also involved in the economic development of local communities. In South Africa, for instance, the Group has committed to provide training for more than 500 skilled workers in the energy industry (welders, technicians, metal workers, etc.), while providing additional training for 65 engineers and graduates, to boost the development of skills in the energy field.

In many countries, Alstom's specialists are actively involved in joint research and training programmes in partnership with leading business schools and universities. For example, in 2008, the Group teamed up with five industrial partners to provide funding for a 5-year eco-innovation professorship set up by a group of engineering schools and universities including École centrale de Paris, Supélec, Université Paris XI d'Orsay and Université de Versailles Saint-Quentin. This postdoctoral course aims to provide a source of talent for certain key areas of industry linked to eco-innovation, such as "optimisation science", applied research, information technology, intelligent power supply systems and energy conversion technologies. In Germany, Alstom contribute to the development of nanotechnology and non-destructive inspection systems.

In the late winter 2008 and early 2009, Alstom faced a difficulty in United Kingdom (UK). Major power engineering construction companies in this country became a target of protests by unemployed workers at some power plant construction sites. The issue for the protesters focused on their belief of "British jobs for British workers."

Demonstrators considered Alstom was not giving UK workers the opportunity to apply for jobs at its sites. Alstom consistently explained that it does not discriminate against workers of any nationality, subcontractors are employed based on union recognised and accepted selection practices in the industry and that the company and its contractors are entitled to employ suitably experienced and qualified workers from anywhere in Europe under existing EU legislation. Under national agreements in the UK, Alstom already ensures that all workers at its power station construction sites, whatever their nationalities, benefit from the same working conditions and rates of pay. Alstom actively encourages its contractors in the UK to employ local labour when extra labour is needed. To conclude, Alstom estimates that British workers will complete around two thirds of the work and that form the overwhelming majority of people employed over the entire period it takes to build a typical power station.

Restructuring impact management

Alstom strives to limit the social impact of restructuring when such plans are necessary. In 2008/09, certain significant restructurings necessitated social plans in Italy, France and the United States of America.

In Italy, the Transport's site Savigliano encountered structural difficulties and a reduction of workload. The restructuring led to 158 job losses. The social plan implemented following an agreement with employee representatives provided for early retirement and outplacement. Temporary lay-offs of up to 250 people over six months helped mitigate the impact of the workload reduction. A study was also conducted by an independent consultant to list engineering needs in the local job market.

In France, the progressive closure of an activity in the "Alstom Magnets and Superconductors" subsidiary, which employs 120 people in Belfort, results in the loss of 81 positions. Although the social plan was still under consultation with the employee representatives at end March 2009, reassignment solutions have already been proposed to over half of the employees concerned by the closure of this activity.

In the United States of America, Alstom's site in Hornell (800 employees) has been running four major projects for the last 5 to 6 years. Two of those projects completed production in November 2008 and the third completed production at the end of December 2008. As a result Alstom has decided to restructure its Hornell operations. The restructuring activities resulted in the reduction of 295 jobs of which 202 were union members. All non-union employees were provided with severance packages in accordance with the U.S. policy. Union employees were provided benefits in accordance with the labor contract with the exception of offering employees extended medical insurance coverage. All employees were provided with job search outplacement services.

ACTIONS TO SUPPORT LOCAL COMMUNITIES

Alstom encourages initiatives designed to support local people. The overall budget contributions to charities is not completely identified at Group level. These initiatives are consistent with local needs and developed in close cooperation with local bodies.

Examples of work in the communities in 2008/09 are outlined below, based on a survey in 20 countries representing 87% of the total headcount. These cumulated actions represent an amount of €1 million over calendar year 2008. They have mainly been in the form of donations to various charitable causes, support to cultural and sport events and punctual relief in case of disasters:

- in Canada, support to several causes involved in educational, medical and sporting activities;
- in Croatia, support to sports centres and junior sport clubs and to cultural and educational programmes;
- in Germany, support to environmental protection;
- in Brazil, numerous initiatives involving Alstom employees, such as warm clothing campaign, food and toy campaigns. In addition, the product of the sale of recyclable waste is given to an association;
- in China, subvention to the Chinese Red Cross and Dong Fang Electrical Corp victims of the earthquake on 12 May 2008;
- in the United States, support to charitable causes. Alstom along with employee representatives operates a Foundation at the site of Rochester;
- in Indonesia, participation to local community initiatives;
- in Poland, support to orphanages, educational activities and health protection.

ALSTOM CORPORATE FOUNDATION

Alstom and its employees have long campaigned alongside local partners around the world to improve the quality of life in local communities neighbouring its plants and sites. The Alstom Foundation aims to bolster these initiatives, focusing on concrete campaigns to protect the environment.

Set up in November 2007, the Alstom Corporate Foundation selected 11 projects in September 2008, all presented and sponsored by Alstom employees and all with a focus on environmental protection. The Foundation was initially set up to run for five years, with an annual budget of €1 million. Projects must be developed in partnership with local bodies and should be based on local needs.

The Foundation's Board of Directors selects new projects every year and comprises members from both inside and outside the company.

Outside members:
Jacques Attali (President of PlaNet Finance), Robert Barbault (Head of the Biodiversity Department at the Natural History Museum in Paris), Claude Mandil (former Executive Director of the International Energy Agency), Nicole Pasteur (Head of Research at the French National Centre for Scientific Research, CNRS, and Director of the Institute for Science and Evolution in Montpellier).

Projects supported by the Foundation in 2008, grouped under the four priorities headings below, are the following:

Economic development

- Setting up a national park at Meili Mountain in Yunnan, China, to develop eco-tourism, monitor gathering of mushrooms and wild plants and develop alternative energy sources.
- Building a bridge for pedestrians and cyclists over the Cenranae River in Indonesia to provide easier access for local villagers and avoid lengthy trips for local residents.
- Training people in wind energy in North Korea in order to create an autonomous power source for farms.

Social initiatives

- Building a "green" orphanage with its own water supply and kitchen garden providing a home for 40 young girls in rural India.
- Supplying solar power to four homes for the mentally handicapped in the United States.

Education and environmental awareness

- "Green helmets" programme in Argentina to train people with disabilities to allow them in turn to coach pupils and students on environmental issues.
- Educational campaign to replace plastic bags with textile equivalents in China.
- Educational cartoons on energy and transport in France.
- Awareness-raising campaign targeting children and those in the tourist industry to protect coral reefs on three islands in Malaysia.

Work in the community

- Sustainable development programme in the Philippines with measures ranging from teacher training to tree planting in a mangrove swamp.
- Supplying equipment to schools in South Africa to raise children's awareness of the environment and allow them to grow their own kitchen garden.

6 ADDITIONAL INFORMATION

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 2009").

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.

After the disposals of its former Transmission & Distribution and Marine Sectors and its Industrial Turbines and Power Conversion activities, the Group has refocused its activities in three Sectors: Transport, Power Systems and Power Service. Since the beginning of fiscal year 2009/10 Power Systems and Power Service are merged into one single Power Sector.

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

66 19 A.

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.

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.

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 "Investors/Regulated information" as per Article L. 451-1-2 of the French *Code monétaire et financier* (www.alstom.com or www.alstom.fr).

The Group annual reports for the last five fiscal years are also available on the Company's website, section "Investors / Publications / 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 2009 is €1,282 million. The depreciation booked for the above is €571 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
	Charleroi	Transport
Brazil	Cabo de Santo Agostinho	Power
	Lapa	Transport
	Taubaté	Joint venture ALSTOM Hydro Holding
China	Wuhan	Power
	Beizhong	Power
Czech Republic	Brno – Olomoucka	Power
France	Aytré/La Rochelle	Transport
	Belfort	Power & Transport
	Grenoble	Joint venture ALSTOM Hydro Holding
	Le Creusot	Transport
	Ornans	Transport
	Reichshoffen	Transport
	Valenciennes	Transport
Germany	Berlin (Lessingstraße)	Power
	Bexbach	Power
	Kassel	Power
	Mannheim	Power
	Salzgitter	Transport
India	Durgapur	Power
	Shahabad	Power
	Vadodara	Power
Italy	Colleferro	Transport
	Savigliano	Transport
Switzerland	Birr	Power
USA	Chattanooga (TN)	Power
	Concordia (KS)	Power
	Richmond (Virginia)	Power
	Wellsville (NY)	Power

MATERIAL CONTRACTS

In the past two years immediately before the issue of this "Document de Référence", ALSTOM and/or companies of the Group have not entered into material agreements, other than the agreements entered into during the ordinary course of business.

The main partnerships and joint ventures completed during fiscal year 2008/09 are identified in section "Group activity – Overview – Main events of fiscal year 2008/09".

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, disposals and changes in scope of consolidation completed during the last three fiscal years are identified in Note 4 of the consolidated financial statements as of 31 March 2009 (see section "Financial information – Consolidated financial statements").

DETAILS ON SHAREHOLDINGS TAKEN AND SOLD DURING FISCAL YEAR 2008/09

Including information as per Article L. 233-6 of the French Commercial Code.

Details on shareholdings taken during fiscal year 2008/09

On 4 June 2008, ALSTOM Hydro Canada Inc. completed the acquisition of 100% of the share capital of GESTION SITCA INC., a Canadian company which is engaged in the business of hydro and thermal sytems services.

On 5 November 2008 and 2 February 2009, Wuhan Boiler Company Limited ("WBC"), a Chinese company listed on the Shenzhen stock exchange, 51% of which is owned by ALSTOM (China) Investment Co. Ltd., acquired 20% and 5%, respectively, of the share capital of LanXiang Energy & Environmental Protection Technology Inc. ("LXKJ"). Prior to these acquisitions, WBC had owned 70% of the share capital of LXKJ. LXKJ is a Chinese company involved in the business of designing boilers.

On 6 November 2008, ALSTOM Ferroviaria S.p.A acquired 70% of the share capital of Osvaldo Cariboni Lecco S.p.A., an Italian company engaged in the manufacture and installation of components for overhead catenaries systems.

On 11 December 2008, ALSTOM N.V. owner of 80% of the share capital of ALSTOM Croatia Ltd., acquired out the remaining 20%. ALSTOM Croatia Ltd. is engaged in the business of engineering and manufacturing of spare parts power plants, as well as supply of power services.

On 28 January 2009, ALSTOM STH Africa Power Projects acquired 100% of the share capital of ALSTOM Power Service (Proprietary) Limited, a South African company engaged in the business of turbines and generator services. On 15 April 2009, ALSTOM STH Africa Power Projects sold 25% of these shares to Firefly Investments 155 (Proprietary) Limited, a South African company.

On 2 March 2009, ALSTOM Power Nederland BV acquired the repair and maintenance activity from Maatschappij de Maas BV, a Dutch company.

Details on direct or indirect shareholdings sold during fiscal year 2008/09

On 5 August 2008, ALSTOM NV completed the sale of its 11.58% shareholding of ALSTOM SA (Proprietary) Ltd. to Main Street 64 (Proprietary) Ltd., acquisition vehicle for the Actis group.

On 30 October 2008, Wuhan Boiler Company Limited, a Chinese company, 51% of which is owned by ALSTOM (China) Investment Co. Ltd., sold its 51% share capital of Wuhan WuGuo ZhiXin Environmental Protection Equipment Manufacturing Co., Ltd. ("Zhixin") to a natural person in China.

On 31 December 2008, ALSTOM Ltd sold its business of design, development and production of parts and components of aircraft and aero-derivative engines to ITP Engines UK Limited.

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 4 May 2009, date of approval of the latest accounts published.

Information on the share capital

As of 31 March 2008, ALSTOM's share capital amounted to €1,982,429,778 consisting of 141,602,127 shares of the same class and fully paid of €14 par value each.

As of 31 March 2009, ALSTOM's share capital amounts to €2,013,575,921 consisting of 287,653,703 shares of the same class and fully paid, with a nominal value of €7 per share, following the two-for one split of the share par value and following the operations completed during fiscal year 2008/09 and identified in the table below.

Operation	Number of shares issued	New number of shares after operation	New amount of share capital after operation (in €)
31 March 2008		**141,602,127**	**1,982,429,778**
30 April 2008			
Reimbursement in shares of 69,791 ORA (1)	2,193	141,604,320	1,982,460,480
Exercise of 12,450 stock options	12,450	141,616,770	1,982,634,780
19 May 2008			
Free allocation of shares	462,792	142,079,562	1,989,113,868
20 June 2008			
Reimbursement in shares of 42,458 ORA (1)	1,336	142,080,898	1,989,132,572
Exercise of 76,135 stock options	76,135	142,157,033	1,990,198,462
2 July 2008			
Reimbursement in shares of 37,644 ORA (1)	1,183	142,158,216	1,990,215,024
Exercise of 5,550 stock options	5,550	142,163,766	1,990,292,724
7 July 2008			
Two-for-one split of the share par value		284,327,532	1,990,292,724
30 September 2008			
Reimbursement in shares of 1,404,051 ORA (1)	89,560	284,417,092	1,990,919,644
Exercise of 277,342 stock options	277,342	284,694,434	1,992,861,038
31 December 2008			
Reimbursement in shares of 32,478,339 ORA (1)	2,042,900	286,737,334	2,007,161,338
Exercise of 310,554 stock options	310,554	287,047,888	2,009,335,216
31 March 2009			
Reimbursement in shares of 868,878 ORA (1)	54,673	287,102,561	2,009,717,927
Exercise of 551,142 stock options	551,142	287,653,703	2,013,575,921

(1) Subordinated bonds 2% December 2008 redeemable in Company's shares.

On 30 April 2009, ALSTOM's share capital was increased to €2,021,567,338, divided into 288,795,334 shares of €7 par value each following the operations below:

- exercise of 49,520 options when 49,520 shares were created; and
- delivery of 1,092,111 shares allocated under the "Alstom Sharing 2009" plan offered to members of Alstom Group Savings plan.

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 2005, 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.

Following the decision of the Ordinary and Extraordinary General Meeting of 24 June 2008 in its 16th resolution, the par value of the share was splitted in two on 7 July 2008. Each share of par value €14 comprising the share capital as of this date was in full right, exchanged for 2 shares of par value €7 each and entitled to the same rights as the previous shares.

As a consequence of the split, the number of shares that could possibly be obtained by the beneficiaries of Company stock options allocated prior to the par value split was multiplied by two, while the unitary exercise prices of these options was 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 was multiplied by two. The redemption ratio of the ORA was also be changed to take into account the split of the par value.

FINANCIAL RATING

In May 2008, Alstom obtained the following credit ratings, which were reiterated in May 2009:

Financial Rating	Rating	Outlook
Moody's Investors Services	Baa1	stable
Standard & Poor's	BBB+	stable

FINANCIAL AUTHORISATIONS

Including information as per Article L. 225-100 of the French Commercial Code.

The table below sets forth the financial authorisations that are in force as of 4 May 2009 and their use during fiscal year 2008/09:

Nature of the authorisation	Maximum nominal amount authorised (7)	Nominal amount used during expired fiscal year (7)	Available amount (7)	Expiry/Duration
Issuance of securities				
Delegation of competence 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 (1) (5): €600 million (corresponds to approx. 29.8% of the share capital) Debt securities: € 2 billion (2)	None	Maximal authorised amount	24 August 2010 (duration: 26 months)
Delegation of competence 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) (5): €250 million (corresponds to approx. 12.5% of the share capital, less any capital increase in consideration of contributions in kind issued by virtue of Resolution No. 13 Debt securities: €1 billion (2)	None	Maximal authorised amount	24 August 2010 (duration: 26 months)
Authorisation to increase the share capital by up to 10% of the share capital in consideration of 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	None	Maximal authorised amount	24 August 2010 (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)	5% of the share capital at the date of Board grant, less any amount issued by virtue of Resolution No. 18 (3)	754,300 options *i.e.* approx. 0.26% of the share capital (6)	11,055,918 options *i.e.* 3.84% of the share capital (1) less any amount issued by virtue of Resolution No. 18	26 August 2010 (duration: 38 months)
Free allocation of existing or new shares to employees (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 overall limit set in Resolution No. 21 (3)	583,472 (6) shares *i.e.* approx. 0.20% of the share capital (5)	5,992,900 shares *i.e.* 2.08% of the share capital (5) to be deducted from the overall limit set in Resolution No. 21	26 August 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 24 June 2008, Resolution No. 14)	2% of the share capital at the date of shareholders' meeting, less any amount issued by virtue of the Resolution No. 15 (4)	743,606 shares *i.e.* 0.26% of the share capital (5)	4,942,675 shares *i.e.* 1.72% of the share capital (5), less any amount issued by virtue of Resolution No. 15	24 August 2010 (duration: 26 months)
Delegation of authority to issue shares for the benefit of a category of beneficiaries (AGM 24 June 2008, Resolution No. 15)	0.5% of the share capital at the date of the shareholders' meeting, to be deducted from the overall limit set in Resolution No. 14 (4)	348,505 shares *i.e.* approx. 0.12% of the share capital (5)	1,073,065 shares *i.e.* 0.37% of the share capital (5) to be deducted from the overall limit set in Resolution No. 14	24 December 2009 (duration: 18 months)
Share buy back and reduction of the share capital				
Authorisation to repurchase shares (AGM 24 June 2008, Resolution No. 10)	10% of the share capital	None	Maximal authorised amount	Until the shareholders' meeting held to approve the financial statements for fiscal year 2008/09
Authorisation to reduce the share capital (AGM 26 June 2007, Resolution No. 22)	10% of the share capital	None	Maximal authorised amount	26 June 2009 (duration: 24 months)

(1) Global limitation of the capital increases resulting from the three authorisations to €600 million corresponding to approximately 29.8% of the share capital before adjustments.

(2) Global limitation of the amount of debt securities resulting form these two authorisations to €2 billion.

(3) Global limitation of capital increases resulting from these authorisations to grant stock options and free shares to 5% of the share capital (before adjustements).

(4) Global limitation of capital increases related to employee shareholding resulting from these authorisations to 2% of the share capital (before adjustments).

(5) On the basis of the share capital as of 31 March 2009.

(6) Comprising a maximum of 137,817 shares allocated under the "Alstom Sharing 2009" offered to members of Alstom Group Savings plan and 445,655 conditional shares allocated under the long term in incentive plan (LTI No. 11) which combines the allocation of stock options and free shares subject to achievement of Group's performance targets.

(7) All figures in the table have been adjusted to take into account the two-for-one stock split completed on 7 July 2008.

It will be proposed to the next Ordinary and Extraordinary General Meeting scheduled on 23 June 2009:

- to authorise the Board of Directors, for a period of twenty-four months, to reduce the share capital of up to 10% of its amount by cancelling all or part of the shares that would be purchased by the Company within the scope of any share buyback authorisation granted by General Meeting. It would replace the authorisation given by the Ordinary and Extraordinary Shareholders' Meeting of 26 June 2007, in its 22nd resolution which will expire and has never been used;
- and to renew the authorisation given by the Shareholders' Meeting of 24 June 2008 to the Board to acquire the Company's shares, as described in section "Additionnal Information – Information on the share capital – Repurchase of shares".

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 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**
Increase in share capital resulting from the exercise of ORA (1) and options (30 April 2008)	14,643	205,002.00	107,057.95	141,616,770	1,982,634,780.00
Increase in share capital resulting from free allocation of shares (19 May 2008)	463,404	6,487,656.00	-	142,080,174	1,989,122,436.00
Increase in share capital resulting from the exercise of ORA (1) and options (20 June 2008)	76,859	1,076,026.00	627,369.20	142,157,033	1,990,198,462.00
Increase in share capital resulting from the exercise of ORA (1) and options (2 July 2008)	6,733	94,262.00	54,511.85	142,163,766	1,990,292,724.00
Two-for one split of the par value (2 July 2008)	-	-	-	284,327,532	1,990,292,724.00
Increase in share capital resulting from the exercise of ORA (1) and options (30 September 2008)	366,902	2,568,314.00	2,222,769.66	284,694,434	1,992,861,038.00
Increase in share capital resulting from the exercise of ORA (1) and options (31 December 2008)	2,353,454	16,474,178.00	33,401,333.93	287,047,888	2,009,335,216.00
Increase in share capital resulting from the exercise of ORA (1) and options (31 March 2009)	605,815	4,240,705.00	5,510,866.13	287,653,703	2,013,575,921.00
31 March 2009				**287,653,703**	**2,013,575,921.00**

(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, then since 3 August 2005, with one bond giving right to 0.0314 share of €14 par value and since 7 July 2008 with one bond giving right to 0.0628 share of €7 par value to take into account the two-for-one stock split.

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 by the Company, 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 2009:

	Share capital as of 31 March 2009		Share capital as of 31 March 2008		Share capital as of 31 March 2007	
	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	139,730,909	48,58%	132,765,938	46.86%	183,598,904	66.22%
Bouygues SA	86,143,867	29.95%	84,974,698	30.00%	70,273,498	25.35%
FMR LLC	14,135,964	4.91%	19,405,986	6.85%	-	-
Morgan Stanley & Co International plc	9,306,796	3.24%	9,306,796	3.29%	1,549,144	0.56%
Crédit Agricole Asset Management	5,758,066	2.00%	4,353,796	1.54%	4,289,316	1.54%
Natixis Asset Management	5,637,834	1.96%	5,623,698	1.99%	-	-
Caisse des Dépôts et Consignations	4,151,266	1.44%	4,151,266	1.47%	4,151,266	1.50%
Employees (2)	3,795,845	1.32%	3,096,058	1.09%	2,485,348	0.89%
Groupama Asset Management	3,511,872	1.22%	3,511,872	1.24%	1,416,268	0.51%
BNP PAM Group	3,219,060	1.12%	3,219,060	1.14%	2,126,870	0.77%
Artisan Partners Limited Partnership	2,734,142	0.95%	4,100,906	1.45%	5,000,994	1.81%
FIL Limited	2,594,646	0.90%	2,594,646	0.92%	-	-
Marsico Capital Management	2,068,005	0.72%	2,937,138	1.04%	-	-
UBS Global Asset Management	1,726,974	0.60%	1,726,974	0.61%	907,372	0.33%
Lloyds Banking Group	1,703,035	0.59%	-	-	-	-
Crédit Agricole	1,435,422	0.50%	1,435,422	0.51%	1,435,422	0.52%
Total	**287,653,703**	**100.00%**	**283,204,254**	**100.00%**	**277,234,402**	**100.00%**

(1) % calculated based on the share capital as of 31 March of each year and not based on the share capital on the date of the declaration.

(2) Number of shares taking into account the two-for-one split of the par value of the shares on 7 July 2008.

(3) Shares held by employees and former employees of the Group savings plan, which corresponds to approximately 0.79% held directly and approximately 0.53% held through FCPE.

To the knowledge of the Company, 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 2009.

After 31 March 2009, the Company has received the following declarations of threshold crossing:

- Crédit Suisse Group notified that it held on 1 April 2009 1,838,358 Alstom shares, *i.e.* 0.64% of the share capital and voting rights, and then on 15 April 2009, 3,308,487 Alstom shares, *i.e.* 1,15% of the share capital and voting rights;
- UBS Investment Bank notified that it held on 29 April 2009 2,879,707 Alstom shares, *i.e.* 1.00% of the share capital and voting rights.

On 26 June 2006, the French State sold to Bouygues SA its whole stake of 21.03% in the Company's share capital, *i.e.* 29,051,244 shares (corresponding to 58,102,488 shares after the two-for-one split of the par value) 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 on 26 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 4 May 2009, Bouygues SA holds 86,143,867 ALSTOM shares , *i.e.* 30% approximately of the share capital and voting rights of the Company.

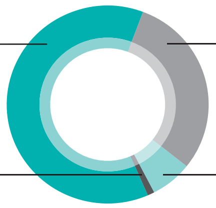
To the knowledge of the Company, and excluding the undertaking towards the French State dated 26 April 2006 mentioned above, no shareholders' agreement concerning its share capital is in place.

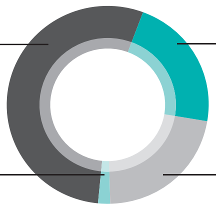
As of 4 May 2009, 211,745 shares are held by the individual Directors of the Company and 409 425 shares are held by the members of the Executive Committee, representing in total approximately 0.22% of ALSTOM's share capital and voting rights as of 31 March 2009. The company Bouygues SA is a Director of ALSTOM since 18 March 2008 and holds 29.95% of the share capital and voting rights of the Company as of 31 March 2009.

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 recommended by the Director's Charter annexed to the Board Internal Rules.

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 rights resulting from free allocations of shares; and
- stock options to subscribe shares.

The subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA") were reimbursed in shares on 31 December 2008, as described below.

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;
- 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 as follows:

- on 16 August 2004, to take into account the share capital increase with preferential subscription rights of 13 August 2004 (one bond giving right to 1.2559 shares of €0.35 par value);
- on 3 August 2005 following the consolidation of the shares comprising the share capital (one bond giving right to 0.0314 share of €14 par value);
- on 7 July 2008 following the two-for-one split of the par value of the shares (one bond giving right to 0.0628 ALSTOM share of €7 par value).

On 31 December 2008 the ORA were reimbursed in shares pursuant to the terms and conditions of the bonds. As of 31 March 2009, 105,271 ORA, representing 0.02% of the issue, were held by bondholders who did not yet notify the Company if they request at redemption the number of shares resulting either from the rounding down to the nearest whole number (with cash compensation by the Company) or the rounding up to the nearest whole number (with cash payment by the bondholder).

Free allocations of shares

See sections:

- "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans and performance share plans"; and
- "Corporate governance – Interest of the officers and employees in the share capital – Free shares plans for the subscribers outside France to "Alstom Sharing Offers".

Stock options

See section "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans and performance share plans".

POTENTIAL SHARE CAPITAL

As of 30 April 2009

	Total number of shares that may be issued	Amount of corresponding capital increase (in €)	**% of the share capital as of 30 April 2009**
Shares that may result from the exercise of existing stock option plans (1)	8,983,777	62, 886,469	3.111%
Shares that may be issued on the basis Performance Shares Plans (1)	793,551	5,554,857	0.275%
Shares that will be issued on the basis of the free allocation of shares for the subscribers outside France to Alstom Sharing Offers (2)	239,949	1,679,643	0.083%
Total	**10,017,277**	**70,120,969**	**3.469%**

(1) See section "Information on the share capital – Interests of the officers and employees in the share capital – Stock options plans and performance shares plans".

(2) See section "Corporate governance – Interests of the officers and employees in the share capital – Free shares plans for the subscribers outside France to "Alstom Sharing Offers"".

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 24 June 2008 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 2008, *i.e.* a theoretical number of 28,320,424 shares for a duration expiring after the shareholders' meeting called to approve the financial statements for the fiscal year starting on 1 April 2008. 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 23 June 2009

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 23 June 2009, 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 11th resolution of the shareholders' meeting of 23 June 2009);
- 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 employee purchase scheme, stock option plans or free allocations of shares pursuant to the conditions specified by law;
- 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 2009, *i.e.*, a theoretical maximum number of 28,765,370 shares of €7 nominal value, and a theoretical maximum aggregate purchase price of €2,013,575,900 based on the maximum purchase price set hereafter.

MAXIMUM PURCHASE PRICE

The purchase price may not exceed €70 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.

DURATION

The share purchase programme will valid during 18 months after the shareholders' meeting called to be held on 23 June 2009.

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 6 May 2008, 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 €2 billion. This authorisation has not been used during fiscal year 2008/09.

This delegation of authority from the Board which was due to expire on 6 May 2009, has been cancelled and renewed by the Board held on 4 May 2009 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 2008/09. 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 23 June 2009 to distribute dividends for a total amount of €323,395,311.68, corresponding to €1.12 per share of €7 nominal value. It represents a rate of distribution of 29% of the Group's net profit.

The dividend coupon will be detached from the share on 25 June 2009 and can be paid out in cash on 30 June 2009. 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.

The following dividends were distributed in respect of the previous fiscal years:

Fiscal year	2007/08 (in €)	2006/07 (in €)	2005/06 (in €)
Dividend per share (1) (2)	0.80	0.40	0

(1) Figures have been restated to take into account the two-for-one stock split completed on 7 July 2008 after payment of the dividend related to the fiscal year 2007/08.

(2) Amount eligible for the tax reduction of 40% resulting from Article 158-3-2 of the French General Tax Code.

See section "Financial information – Comments on the statutory accounts – Appropriation of results".

ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A TENDER 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 Centralises 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 Centralises of 2,2000,000 ALSTOM shares (4,4000,000 ALSTOM shares after the two-for one split). Should Bouygues SA exercise its option in ALSTOM shares, ALSTOM Power Centralises 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 4,4000,000 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 4 May 2009, 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 0.53% of the Company's share capital and voting rights as of 31 March 2009.

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, excluding 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 issue expiring 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

None. See section "Corporate governance – Corporate governance and executive and non executive Directors' compensation report".

SHAREHOLDER INFORMATION

The role of the Investor Relations team is to provide the entire financial community – individual shareholders, institutional investors and financial analysts – with complete, regularly updated information on the Group's strategy and its implementation.

Communication with individual shareholders

Besides the Annual General Meeting, Alstom is developing opportunities to meet and communicate with its individual shareholders. During the fiscal year, the Group took part in an information meeting at Rennes, France – organised in association with the FFCI (the French Investment Club Federation) and the CLIFF (the French Association for Investor Relations). In 2009, the Group will meet with its shareholders in Annecy and Avignon, France. Alstom also had a stand at the annual Actionaria exhibition in Paris, which welcomed over 32,000 visitors at its 2008 event. During this occasion, shareholders notably had the chance to meet the Chairman and Chief Executive Officer of the Group, as well as the Investor Relations team and members of the Communications department.

The Group also organises site visits in France for individual shareholders so that they can get a better insight into the way the business works. For example, certain shareholders went to see TGV * (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 site. They also discovered an industrial turbine rehabilitation workshop at the site in La Courneuve.

* TGV is a trademark of the SNCF.

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. All documents can be obtained upon request. The Investors section on Alstom's website also provides them with all the financial documentation, as well as debt information and a calendar of financial events.

Relations with institutional investors and financial analysts

Roadshows are organised several times a year in large American and European financial centres (France, USA, the UK, Switzerland, Germany, Italy, Belgium, Luxembourg, the Netherlands, Scandinavia...). 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 analysts day, to present its strategy and activities. This year, the event took place in Copenhagen in Denmark and in Sweden. The theme was CO_2-free power generation, and the Group presented its strategy on current CO_2-free technologies in its portfolio, as well as on systems to capture and storage CO_2. The participants then visited Alstom's laboratory dedicated to air quality control systems. Following this, they took a tour of a CO_2 capture pilot, developed in partnership with E.ON, at the Karlshamn power plant in Sweden.

Stock market news

The year 2008 was marked by an unprecedented stock market crisis in which Alstom's share price was not spared. In fact, after having progressed during the first semester and attaining its highest value at the beginning of June 2008, the share price was severely affected in the context of volatile and bearish stock markets caused by the financial crisis and its consequences on the global economy.

In order to improve individual shareholder's access to the capital, the Group carried out a two-for-one share split on 7 July 2008. In September, the share was integrated into the Dow Jones Euro Stoxx 50 index, which groups together the fifty most important market capitalisations in the euro zone.

Since the start of 2009, Alstom's share price has resisted well compared to the other CAC 40 companies. On the 31 March 2009, Alstom's share value reached €38.985, and the market capitalisation of the Group €11,214,179,611.

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 all of the Group's financial communications: share price quotes, the possibility to download the past five years' historical data, 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 2008/09 can be obtained in French and English by submitting your request to the Investor Relations department.

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).

LISTING OF THE SHARES

Alstom share
As of 31 March 2009

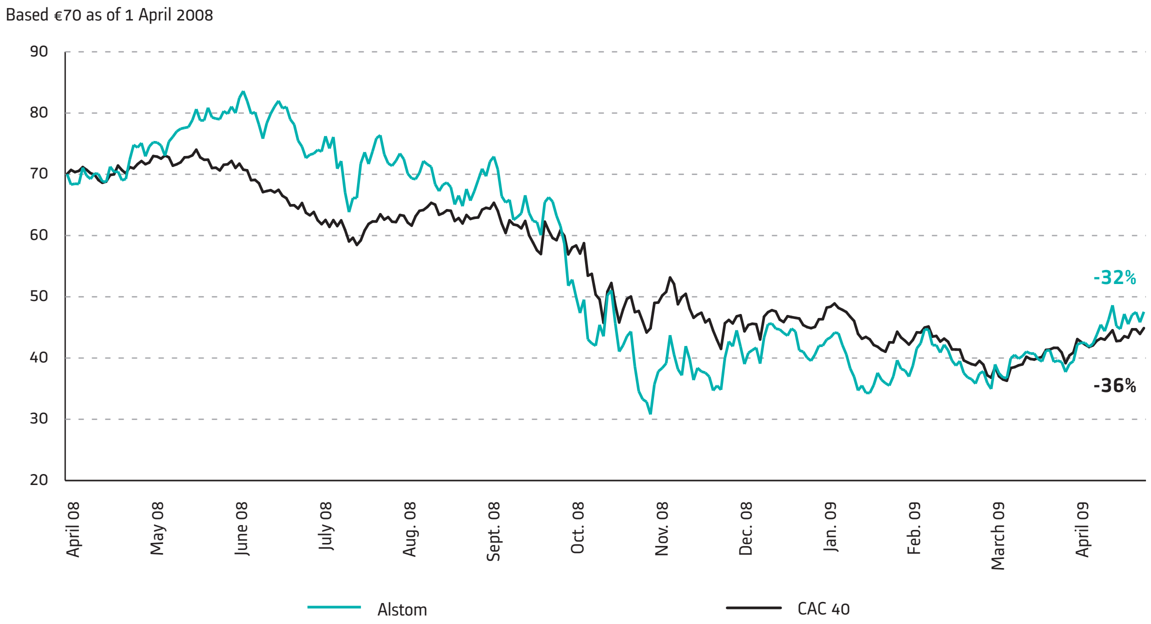
Place of listing: Euronext Paris (Compartment A)

Isin code:	FR0010220475
Ticker:	ALO
Nominal value:	€7
Number of shares:	287,653,703
Market capitalisation:	€11,214,179,611
Main indexes:	CAC 40
	SBF 120
	Euronext 100
	DJ Euro Stoxx 50

The Alstom shares are no longer listed on the London Stock Exchange since 17 November 2003, nor on the New York Stock Exchange since 10 August 2004.

The Company has chosen not to create or otherwise sponsor an American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "unsponsored" and has no ties whatsoever to the Company. This means that the Company cannot be relied upon to ensure the proper operation of such facility or to protect the rights of ADR holders, and the Company expressly disclaims any liability or submission to jurisdiction to any courts in the United States in respect of such facility. Persons choosing to deposit ALSTOM shares into such a facility or to acquire ADRs issued from such a facility do so at their own risk and on the basis of their own analysis of such facility.

Share price evolution (in €) – April 2008/April 2009



Source : Euronext Paris.

Simplified organisation chart as of 31 March 2009

- ALSTOM (France)
  - ALSTOM Holdings (France)
    - 1 ALSTOM SpA (Holding - Italy)
    - 2 ALSTOM (China) Investment Co. Ltd (Holding - China)
    - 3 ALSTOM Transport Holding US (Holding - USA)
    - 4 ALSTOM Australia Holdings Ltd (Holding - Australia)
    - 5 ALSTOM UK Holdings Ltd (Holding - UK)
    - 6 ALSTOM España IB (Holding - Spain)
    - 7 ALSTOM Inc. (Holding - USA)
    - 8 ALSTOM Mexico SA de CV. (Holding - Mexico)
    - ALSTOM Transport SA (France)
    - ALSTOM Algérie (Algeria)
    - ALSTOM Konstal Spolka Akeyjna (Poland)
    - ALSTOM Transport(s) Pte Ltd (Singapore)
    - 9 ALSTOM Belgium (Belgium)
    - 1 ALSTOM Ferroviaria SpA (Italy)
    - 2 ALSTOM Technical Services (Shanghai) Co Ltd (China)
    - 3 ALSTOM Transportation Inc. (USA)
    - 3 ALSTOM Signaling Inc (USA)
    - 5 ALSTOM Ltd (UK)
    - 6 ALSTOM Brasil Energia e Transporte Ltda (Brazil)
    - 6 ALSTOM Transporte SA (Spain)
    - 10 ALSTOM LHB GmbH (Germany)
    - ALSTOM Canada Inc. (Canada)
    - 1 ALSTOM Power Italia SpA (Italy)
    - 4 ALSTOM Ltd (Australia)
    - 5 ALSTOM Power Ltd (UK)
    - 7 ALSTOM Power Inc. (USA)
    - ALSTOM Power Holdings (France)
      - ALSTOM Power Service (France)
      - ALSTOM Power Turbomachines (France)
      - ALSTOM NV (Netherlands)
        - 10 ALSTOM Deutschland AG (Germany)
          - ALSTOM Power Service GmbH (Germany)
          - ALSTOM Power Systems GmbH (Germany)
          - ALSTOM Power Sp Zoo (Poland)
          - ALSTOM K.K. (Japan)
        - ALSTOM Sweden AB (Sweden)
          - ALSTOM Power Sweden AB (Sweden)
        - ALSTOM Asia Pacific Sdn Bhd (Malaysia)
        - ALSTOM Power, sro, ALSTOM Group (Czech republic)
        - 11 ALSTOM (Switzerland) Ltd (Switzerland)
          - ALSTOM Technology Ltd (Switzerland)
          - ALSTOM Power O&M Ltd (Switzerland)
        - ALSTOM Croatia Ltd. (Croatia)
        - ALSTOM Power Romania Srl (Romania)
        - ALSTOM Limited (Russia)
        - 78.79% PT ALSTOM Power Energy Systems Indonesia (Indonesia)
      - ALSTOM Africa Holding (Pty) Ltd (South Africa)
      - ALSTOM Power Systems (France)
        - 50 % ALSTOM Hydro Holding (France)
          - ALSTOM Hydro Energia Brasil Ltda (Brazil)
          - ALSTOM Hydro France (France)
            - TIANJIN ALSTOM Hydro Co. Ltd (China)
    - 6 ALSTOM Portugal, SA (Portugal)
    - 8 ALSTOM Mexicana SA de CV (Mexico)
    - 9 ALSTOM Norway AS (Norway)
    - 11 ALSTOM Project India Limited (India) 68.46%

Nota: the reference number in green given to some subsidiaries indicates their link in share capital with the holding company having the same number, in black.

Information on the Annual Financial Report

The ALSTOM Annual Financial Report for fiscal year 2008/09, 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" 2008/09 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 2009"	52 to 113
"Statutory accounts for the fiscal year ended 31 March 2009"	116 to 129
"Group activity", which constitutes the Board of Directors' report on the Group management for the fiscal year ended 31 March 2009	4 to 48
"Risks", which is included in the Board of Directors' report on the Group management for the fiscal year ended 31 March 2009	134 to 141
"Financial authorisations", which includes the table of the authorisations to increase the share capital	232
"Repurchase of shares"	237 to 238
"Elements which could have an impact in the event of a tender offer"	239 to 240
"Independent Auditors' report on the consolidated financial statements for the fiscal year ended 31 March 2009"	114 to 115
"Independent Auditors' report on the statutory financial statements for the fiscal year ended 31 March 2009"	130
"Independent Auditors' fees"	110; 193
Statement	245

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 2008, the Auditors' reports thereto and the Group's management report, as shown at pages 50 to 119, 122 to 133, 120 to 121, 136 and 4 to 49 respectively, of the report No. D.08-0439 filed with the Financial Markets Authority (Autorité des marchés financiers) on 23 May 2008;
- 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 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 2008/09 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 4 to 48, and pages 134 to 141 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 114 and 130 for the year ended 31 March 2009, and included by reference in this "Document de Référence" for the years ending 31 March 2008 and 31 March 2007. These reports have been issued without qualification and contain emphasis of matter paragraphs relating to the year ending 31 March 2007.

Levallois-Perret, 26 May 2009.

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" 2008/09 in French language was filed with the French Autorité des marchés financiers ("AMF") on 26 May 2009 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.

Société anonyme with share capital €2,013,575,921
3, avenue André Malraux – 92300 Levallois-Perret
Tel.: + 33 (0)1 41 49 20 00
RCS: 389 058 447 Nanterre
www.alstom.com