Consolidated financial statements

Year ended 31 March 2011

ALSTOM

CONSOLIDATED INCOME STATEMENTS

(in € million)	Note	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009
SALES	(4)	**20,923**	**19,650**	**18,739**
Cost of sales		(16,938)	(15,982)	(15,225)
Research and development expenses	(5)	(703)	(558)	(586)
Selling expenses		(902)	(669)	(666)
Administrative expenses		(810)	(662)	(726)
INCOME FROM OPERATIONS	(4)	**1,570**	**1,779**	**1,536**
Other income	(6)	46	8	44
Other expense	(6)	(852)	(158)	(137)
EARNINGS BEFORE INTEREST AND TAXES	(4)	**764**	**1,629**	**1,443**
Financial income	(7)	57	59	122
Financial expense	(7)	(193)	(101)	(101)
PRE-TAX INCOME		**628**	**1,587**	**1,464**
Income tax charge	(8)	(141)	(385)	(373)
Share in net income of equity investments		3	3	27
NET PROFIT		**490**	**1,205**	**1,118**
Attributable to:				
- Equity holders of the parent		462	1,217	1,109
- Non controlling interests		28	(12)	9
Earnings per share (in €)	(9)			
- Basic earnings per share		1.57	4.21	3.87
- Diluted earnings per share		1.56	4.18	3.81

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in € million)	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009
Net profit recognised in income statements	**490**	**1 205**	**1 118**
Net gains (losses) on cash flow hedges	(9)	(21)	25
Net gains (losses) on available-for-sale financial assets	12	-	-
Currency translation adjustments	(55)	94	(14)
Net actuarial gains (losses)	(183)	7	(319)
Taxes	93	55	12
Other comprehensive income	**(142)**	**135**	**(296)**
Total comprehensive income for the period	**348**	**1 340**	**822**
Attributable to:			
- Equity holders of the parent	330	1 354	811
- Non controlling interests	18	(14)	11

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

CONSOLIDATED BALANCE SHEETS

(in € million)	Note	At 31 March 2011	At 31 March 2010	At 31 March 2009
ASSETS				
Goodwill	(10)	5,396	3,904	3,886
Intangible assets	(10)	1,934	1,453	1,397
Property, plant and equipment	(11)	2,651	1,958	1,735
Associates and other investments	(12)	207	66	66
Other non-current assets	(13)	567	535	529
Deferred taxes	(8)	1 287	982	1,012
Total non-current assets		**12,042**	**8,898**	**8,625**
Inventories	(14)	3,363	3,033	2,876
Construction contracts in progress, assets	(15)	2,479	3,637	3,139
Trade receivables	(16)	6,053	3,446	3,873
Other current operating assets	(17)	2,945	2,578	2,773
Marketable securities and other current financial assets	(18)	50	35	15
Cash and cash equivalents	(25)	2,701	4,351	2,943
Total current assets		**17,591**	**17,080**	**15,619**
Total assets		**29,633**	**25,978**	**24,244**

(in € million)	Note	At 31 March 2011	At 31 March 2010	At 31 March 2009
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the parent	(20)	4,060	4,091	2,852
Non controlling interests		92	10	32
Total equity		**4,152**	**4,101**	**2,884**
Non-current provisions	(22)	1 095	460	444
Accrued pension and other employee benefits	(23)	1 145	943	970
Non-current borrowings	(24)	3,346	1,845	65
Non-current obligations under finance leases	(24)	491	527	543
Deferred taxes	(8)	88	113	70
Total non-current liabilities		**6,165**	**3,888**	**2,092**
Current provisions	(22)	1,387	1,181	1,226
Current borrowings	(24)	578	196	706
Current obligations under finance leases	(24)	51	46	42
Construction contracts in progress, liabilities	(15)	9,166	10,169	10,581
Trade payables		4,071	3,613	3,866
Other current operating liabilities	(26)	4,063	2,784	2,847
Total current liabilities		**19,316**	**17,989**	**19,268**
Total equity and liabilities		**29,633**	**25,978**	**24,244**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € million)	Note	Year ended 31 March 2011	31 March 2010	31 March 2009
Net profit		**490**	**1,205**	**1,118**
Depreciation, amortisation and expense arising from share-based payments		671	419	439
Post-employment and other long-term defined employee benefits		(150)	(41)	(156)
Net (gains)/losses on disposals of assets		70	(6)	4
Share in net income of associates (net of dividends received)		-	3	(24)
Deferred taxes charged to income statement		(107)	186	200
Net cash provided by operating activities - before changes in working capital		**974**	**1,766**	**1,581**
Changes in working capital resulting from operating activities	**(19)**	**(743)**	**(960)**	**555**
Net cash provided by /(used in) by operating activities		**231**	**806**	**2,136**
Proceeds from disposals of tangible and intangible assets		44	58	14
Capital expenditure (including capitalised R&D costs)	(5)	(791)	(679)	(671)
Decrease in other non-current assets		(1)	22	4
Acquisition of Grid (€- 2,351 million) net of cash acquired (€ 328 million)	(3)	(2,023)	-	-
Acquisitions of businesses, net of cash acquired		(242)	(12)	(40)
Disposals of businesses, net of net cash sold		(68)	(25)	36
Net cash used in investing activities		**(3,081)**	**(636)**	**(657)**
Capital increase		9	65	29
Treasury shares		-	(34)	-
Dividends paid including payments to non controlling interests		(378)	(333)	(233)
Issuance of bonds & notes	(24)	1,500	1,750	-
Repayment of bonds & notes issued	(24)	-	(275)	(559)
Changes in current and non-current borrowings		33	(12)	11
Changes in obligations under finance leases		(41)	(33)	(27)
Changes in marketable securities and other current financial assets and liabilities		57	(14)	162
Net cash provided by (used in) financing activities		**1,180**	**1,114**	**(617)**
Net increase/(decrease) in cash and cash equivalents		**(1,670)**	**1,284**	**862**
Cash and cash equivalents at the beginning of the period		4,351	2,943	2,115
Net effect of exchange rate variations		24	135	(27)
Other changes		(4)	(11)	(7)
Cash and cash equivalents at the end of the period		**2,701**	**4,351**	**2,943**
Income tax paid		*(248)*	*(191)*	*(192)*
Net of interest received and interest paid		*(107)*	*(29)*	*22*

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Net cash/(debt) variation analysis (*)			
Changes in cash and cash equivalents	(1,670)	1,284	862
Changes in marketable securities and other current financial assets & liabilities	(57)	14	(162)
Changes in bonds and notes	(1,500)	(1,475)	559
Changes in current and non-current borrowings	(33)	12	(11)
Changes in obligations under finance leases	41	33	27
Net debt of acquired entities at acquisition date	(264)	-	(12)
Exercise of put option by Bouygues	-	175	-
Net effect of exchange rate variations and other	(25)	128	(116)
Decrease/ (increase) in net debt	(3,508)	-	-
Increase/ (decrease) in net cash	-	*171*	*1 147*
Net cash/(debt) at the beginning of the period	**2,222**	**2,051**	**904**
Net cash/(debt) at the end of the period	**(1,286)**	**2,222**	**2,051**

(*) The net cash/(debt) is defined as cash and cash equivalents, marketable securities and other current financial assets and non-current financial assets directly associated to liabilities included in financial debt (see Note 13), less financial debt (see Note 24).

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

ALSTOM

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Other comprehensive income	Equity attributable to the equity holders of the parent	Non controlling interests	Total equity
At 31 March 2008	**141,602,127**	**1,982**	**427**	**841**	**(1,040)**	**2,210**	**35**	**2,245**
Movements in other comprehensive income	-	-	-	-	(298)	(298)	2	(296)
Net income for the period	-	-	-	1,109	-	1,109	9	1,118
Total comprehensive income	-	-	-	1,109	(298)	811	11	822
Conversion of 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**
Movements in other comprehensive income	-	-	-	-	137	137	(2)	135
Net income for the period	-	-	-	1,217	-	1,217	(12)	1,205
Total comprehensive income	-	-	-	1,217	137	1,354	(14)	1,340
Conversion of ORA	1,211	-	-	-	-	-	-	-
Change in scope and other		-	-	(10)	-	(10)	1	(9)
Dividends paid	-	-	-	(323)	-	(323)	(9)	(332)
Capital reduction following acquisition of own shares	(700,000)	(5)	(29)	-	-	(34)	-	(34)
Issue of ordinary shares following the exercise of a put option by Bouygues	4,400,000	31	189	(45)	-	175	-	175
Issue of ordinary shares under stock option plans	1,394,775	10	19	-	-	29	-	29
Recognition of equity settled share-based payments	1,092,307	8	26	14	-	48	-	48
At 31 March 2010	**293,841,996**	**2,057**	**630**	**2,605**	**(1,201)**	**4,091**	**10**	**4,101**

(in € million, except for number of shares)	**Number of outstanding shares**	**Capital**	**Additional paid-in capital**	**Retained earnings**	**Other comprehensive income**	**Equity attributable to the equity holders of the parent**	**Non controlling interests**	**Total equity**
At 31 March 2010	**293,841,996**	**2,057**	**630**	**2,605**	**(1,201)**	**4,091**	**10**	**4,101**
Movements in other comprehensive income	-	-	-	-	(132)	(132)	(10)	(142)
Net income for the period	-	-	-	462	-	462	28	490
Total comprehensive income	-	-	-	462	(132)	330	18	348
Conversion of ORA	275	-	-	-	-	-	-	-
Change in scope and other		-	-	(24)	9	(15)	76	61
Dividends paid		-	-	(364)	-	(364)	(12)	(376)
Issue of ordinary shares under stock option plans	466,379	3	4	-	-	7	-	7
Recognition of equity settled share-based payments	110,654	1	(1)	11	-	11	-	11
At 31 March 2011	**294,419,304**	**2,061**	**633**	**2,690**	**(1,324)**	**4,060**	**92**	**4,152**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. PRESENTATION OF THE GROUP

Alstom ("the Group") serves the power generation market through its Power Sector, 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.

By its acquisition on 7 June 2010 of Areva T&D's transmission business, Alstom has completed a decisive stage in its development by forming a new sector, named Alstom Grid, to supplement the existing two sectors.

- ***Power***

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

- ***Grid***

Grid provides equipment to transport electricity over long distances and manage the electrical networks . Its offering encompasses advanced technologies and expertise in key domains such as power electronics, ultra high voltage, direct current interconnections, integration of renewables into the grid and network management solutions.

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 3 May 2011. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 28 June 2011.

NOTE 2. ACCOUNTING POLICIES

2.1 Basis of preparation of the consolidated financial statements

Alstom consolidated financial statements for the year ended 31 March 2011 have been prepared:

- in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the European Union and whose application was mandatory as of 1 April 2010;
- using the same accounting policies and measurement methods as at 31 March 2010, with the exceptions of changes required by the enforcement of new standards and interpretations as described below.

The full set of standards endorsed by the European Union can be consulted on the website of the European Commission at:
http://ec.europa.eu/internal_market/accounting/ias/index-fr.htm

2.1.1.Changes in accounting policies due to new, revised or amended standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2010

- ***Revised IFRS 3 – Business combinations***

Revised IFRS 3 is applicable prospectively to business combinations carried out on or after 1 April 2010.
The acquisition method (also known as purchase accounting method) is confirmed, but the following main changes have been introduced:

- Acquisition-related costs are recorded as an expense in the period in which they are incurred.
- Earn-outs are initially recorded at fair value and adjustments made beyond the 12-month measurement period following the acquisition are systematically recognised through profit or loss.
- For each business combination, any non controlling interest in the acquiree may be measured either at the acquisition-date fair value, leading to the recognition of the non controlling interest's share of goodwill (full goodwill method) or at the non controlling interest's proportionate share of the acquiree's identifiable net assets, resulting in recognition of only the share of goodwill attributable to equity holders of the parent (partial goodwill method).
- In case of a step-acquisition that leads to the Group acquiring control of the acquiree, the equity interest previously held by the Group is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

- ***Revised IAS 27 – Consolidated and separate financial statements***

Under revised IAS 27, the consolidated financial statements of a group are presented as those of a single economic entity with two categories of owners: the owners of the parent and those of the owners of non-controlling interests in the subsidiaries of the group.
As a result of this new approach,

- Changes in ownership interest that do not result in the acquisition or loss of control of an entity do not affect profit or loss, but lead to a new allocation of equity between equity holders of the parent and non controlling interests.
- In absence of explicit agreements to the contrary, subsidiaries' losses are systematically allocated between equity holders of the parent and non controlling interests based on their respective ownership interests even if this results in the non controlling interests having a deficit balance.

- ***Other new, revised or amended standards and interpretations***

The Group's consolidated financial statements are not affected by the enforcement of the other new, revised, or amended standards and interpretations becoming effective in the European Union starting from 1 April 2010.

2.1.2. New standards and interpretations not yet mandatorily applicable

The Group has not opted for an early application in the consolidated financial statements at 31 March 2011 of the already released chapters of IFRS 9- Financial instruments, whose effective date is 1 April 2013, subject to endorsement by the European Union.
The Group's consolidated financial statements are not affected by other new, revised or amended standards or interpretations issued, but not yet mandatorily applicable.
At this stage, the Group considers that the impact of the implementation of these requirements cannot be determined with sufficient accuracy.

2.1.3. Reminder of IFRS 1 transition options

When preparing the opening balance sheet at transition date (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.

2.2. 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; 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. Estimates of contract costs and revenues at completion in case of contracts in progress and estimates of provisions in case of completed contracts may then have to be re-assessed.

- **Estimate of provisions relating to litigations**

The Group identifies and analyses on a regular basis current litigations and measures, when necessary, provisions on the basis of its best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates take into account information available and different possible outcomes.

- **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 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 recoverable 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.

2.3. Significant accounting policies

2.3.1. 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the equity holders of the parent. Non-controlling 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. In absence of explicit agreements to the contrary, subsidiaries' losses are allocated between equity holders of the parent and minority interests based on their respective ownership interests even if this results in the minority interests having a deficit balance.

- **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. The group's share of its associates' profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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.

2.3.2. 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. On the basis of the funding required for the execution of contracts, borrowing costs may be attributed to construction contracts whose execution period exceeds one year. 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 is recognised when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery. Revenue on short-term service contracts is recognised on 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.
Bid costs are directly recorded as expenses when a contract is not secured.

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 2.3.9). Selling and administrative expenses are expensed as incurred.

2.3.3. Income from operations

Income from operations is the indicator used by the Group to present the level of operational performance that can be used as part of an approach to forecast recurring performance. This complies with the recommendation 2009-R03 of the CNC, the French standard setter, on the format of financial statements of entities applying IFRS.
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 or losses on disposal of intangible and tangible assets arising from ordinary activities.

2.3.4. Other income and other expenses

Other income and expense are representative of items which are inherently difficult to predict due to their unusual, irregular or non-recurring nature.

Other income include capital gains on disposal of investments or activities and capital gains on disposal of tangible and intangible 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 and intangible assets arising from activities disposed of or facing restructuring plans as well as any costs associated to past disposals, restructuring costs, costs incurred to become business combinations effective and amortisation expense of assets exclusively acquired in the context of business combinations (margin in backlog, customer relationships, margin in inventory), significant impairment losses on assets, and a portion of post-employment and other long term defined benefit expense (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).

2.3.5. 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 with financing transactions;
- Other income or expense from cash and cash equivalents and marketable securities.

2.3.6. 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 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 in other comprehensive income. 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.

2.3.7. 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 may be of two 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.

- **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 in other comprehensive income. When the forecast transaction results in the recognition of a financial asset or liability, the amounts previously recognised directly in other comprehensive income 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 on the hedging instrument.

Whatever the type of hedge, the ineffective portion on 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.

As the effective portion on the hedging instrument offsets the difference between the spot rate at inception of the hedge and the effective spot rate at the outcome of the hedge, 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, the fair values of these insurance instruments cannot be reliably determined due to the uncertainty on the award of commercial contracts. As a consequence, at this stage, the instruments are not recognised on the balance sheet. When commercial contracts are awarded, insurance instruments are recognised and remeasured in the same way as foreign currency exchange forward contracts.

2.3.8. Goodwill

Goodwill arising from a business combination is measured as the difference between:

- the fair value of the consideration transferred for an acquiree plus the amount of any non-controlling interests of the acquiree; and
- the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

Initial estimates of consideration transferred and fair values of assets acquired and liabilities assumed are finalised within twelve months after the date of acquisition and any adjustments are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the income statement.

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

2.3.9. Intangible assets

- **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 up to twenty years due to the long-term nature of the underlying contracts and activities. The amortisation expense of assets acquired through ordinary transactions is recorded in cost of sales, research and development expenditure, selling expenses or administrative expenses, based on the function of the underlying assets. The amortisation expense of assets exclusively acquired in the context of a business combination (margin in backlog, customer relationships) is recognised as other expense.

- **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 technical and 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 expenses.

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2.3.10. 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	7-40
Machinery and equipment	3-20
Tools, furniture, fixtures and others	1-10

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.

Borrowing costs that are attributable to an asset whose construction period exceeds one year are capitalised as part of the costs of the asset.

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.

2.3.11. 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 intangible assets and tangible 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 at a cash-generating unit level.

For management purposes, goodwill acquired in a business combination is monitored at the level of Sectors as defined in Note 1: 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 perpetual long-term 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.

2.3.12. *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.

A valuation model is used in case of unlisted securities. Changes in fair value are directly recognised in other comprehensive income 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 other comprehensive income 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 through profit and loss.

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 2.3.7 for foreign currency hedging instruments and Note 2.3.18 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.

2.3.13. 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.

2.3.14. Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value.
Bank overdraft are shown within borrowings in current liabilities on the balance sheet.

2.3.15. Taxation

The group computes taxes in accordance with prevailing tax legislation in the countries where income is taxable.

The CVAE component (Cotisation sur la Valeur Ajoutée des Entreprises) of the new business tax (Contribution Economique Territoriale - CET) applicable in France as from January 1, 2010 is recognized as an income tax.

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 or substantively 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 against which the deductible differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of certain taxable temporary differences between the Group's share in the net assets in subsidiaries, joint ventures and associates and their tax 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 other comprehensive income, in which case the deferred tax is classified in other comprehensive income.

2.3.16. 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 relating to the restructured activities.

2.3.17. 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.

- **Derivative financial instruments**

Derivative financial instruments are recognised and re-measured at fair value (see Note 2.3.7 for foreign currency hedging instruments and Note 2.3.18 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.

2.3.18. 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 up to the effective part of hedged risk. 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.

2.3.19. Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees.

- **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.

2.3.20. 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.

The Group periodically 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 in other comprehensive income 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/expense" in the income statement.

2.3.21. 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.

2.3.22. 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).

2.3.23. Segment information

Operating segments used to present segment information are identified on the basis of internal reports used by the Chief Executive Officer (CEO) to allocate resources to the segments and assess their performance.
The Chief Executive Officer is the Group's "chief operating decisions maker" within the meaning of IFRS 8.
The methods used to measure the key performance indicators of the segments for internal reporting purposes are the same as those used to prepare the consolidated financial statements.

NOTE 3. SCOPE OF CONSOLIDATION

3.1. Change in scope of consolidation

On 20 January 2010, Alstom and Schneider Electric, acting under a consortium agreement, signed an agreement with Areva with the purpose of acquiring its transmission and distribution activities ("Areva T&D"). Following the approvals from competition authorities, the closing of the acquisition took place on 7 June 2010 and the consortium acquired the entire capital of Areva T&D for an equity value of € 2,290 million and both partners of the consortium took over from Areva the financial debt refinancing of this company.

Alstom funded the equity value of the Transmission activities (€ 1,589 million) and refinanced the related debt of € 762 million.

The consortium agreement establishes that, at the closing date of the transaction, Transmission activities and Distribution activities are owned respectively by Alstom and Schneider Electric.
As a result, the Transmission activities have been fully consolidated since 7 June 2010 in the Group's financial statements, while the Distribution activities are totally excluded from the consolidation scope.

With this acquisition, the Group formed its third Sector, named Alstom Grid.

In accordance with IFRS 3 (revised), the Group has recognised the assets acquired and liabilities assumed, these being measured at fair value at the acquisition date.

Accordingly, a preliminary valuation has been determined as at 7 June 2010. Recognised assets and liabilities may be subsequently adjusted during a maximum of 12 months from the acquisition date, depending on new information obtained about the facts and circumstances existing at the acquisition date.

Preliminary fair values of the assets acquired and liabilities assumed of the Transmission activities at the date of acquisition:

(in € million)	Fair values
Intangible assets	512
Property plant & equipment	634
Associates & other investments	1
Other non current assets, net	16
Deferred tax	176
Total non-current assets	**1,339**
Inventories	725
Construction contracts in progress, assets	-
Trade receivables	1,920
Other current operating assets	564
Marketable securities and other current financial assets	-
Cash and cash Equivalents	328
Total current assets	**3,537**
Total assets	**4,876**
Non-current provisions	238
Accrued pensions and other employee benefits	181
Non-current borrowings	17
Non-current obligations under finance leases	7
Deferred tax	17
Total non-current liabilities	**459**
Current provisions	435
Current borrowings	1,058
Current obligations under finance leases	1
Construction contract in progress, liabilities	742
Trade payables	766
Other current operating liabilities	1,225
Total current liabilities	**4,227**
Total Liabilities	**4,687**
Net assets acquired	**189**
Fair value of assets and liabilities attributable to non controlling interests	75
Fair value of assets and liabilities attributable to the shareholders of the Group	**114**
Purchase price	1,589
Provisional goodwill	**1,475**

The valuation of assets acquired and liabilities assumed at their fair value has resulted in the recognition of new intangible assets (technology, order backlog margin and customer relationships) and the re-measurement of tangible assets, inventories and liabilities. Assets were valued by external independent experts.

The Group decided to measure the non-controlling interests at the non-controlling interests' proportionate share of the identifiable net assets of the Transmission activities.

The resulting and preliminary goodwill amounts to € 1,475 million and is mainly supported by the leadership position of Alstom Group in growing markets and by expected synergies between Grid and other Alstom activities in terms of portfolio strategy, in particular the unique positioning of the acquired businesses on the Smart Grid key markets and the international presence of the Transmission businesses.

Specific synergies with Power and Transport Sectors in the fields of cost reductions, comprehensive commercial offering and combined workforce and know-how resulted in an allocation of goodwill of € 293 million to Power and € 46 million to Transport. Therefore the goodwill allocated to Grid amounts to € 1,136 million.

For the period between the acquisition date (7 June 2010) and 31 March 2011, Alstom Grid contributed € 3,653 million to sales and € 218 million to income from operations. The contribution to EBIT includes acquisition costs for a total of € 44 million and amortisation of margin acquired, such as order backlog margin, inventory step-up and customer relationships, for a total of € 159 million. These impacts are recorded as other expense in the consolidated income statement.

Considering the complexity to properly allocate the past performance of the Transmission and Distribution activities to either Alstom or Schneider Electric, the Group is not in a position to trace such allocations prior to the acquisition date (as the two activities were not split) and thus to disclose the amounts of sales, income from operations and net income, had the acquisition taken place on 1 April 2010.

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3.2. Acquisition in progress

On 1 March 2010, Alstom and Russian Transmasholding (TMH) firmed up the strategic partnership agreement that they had agreed on in March 2009. Alstom also signed a Share Purchase Agreement under the terms and conditions of which it acquires a 25% stake + 1 share in Transmashholding's parent company, Breakers Investment BV. Alstom's acquisition of a stake in Breakers Investment BV is on-going subject to the fulfilment of certain conditions.

NOTE 4. SEGMENT INFORMATION

4.1. KEY INDICATORS BY OPERATING SEGMENT

At 31 March 2011

(in € million)	Power	Transport	Grid	Corporate & others	Elimina-tions	Total
Sales	11,671	5,606	3,653	-	(7)	20,923
Inter Sector eliminations	(5)	(2)	-	-	7	-
Total Sales	**11,666**	**5,604**	**3,653**	**-**	**-**	**20,923**
Income (loss) from operations	1,052	398	218	(98)	-	1,570
Earnings (loss) before interest and taxes	**690**	**225**	**35**	**(186)**	**-**	**764**
Financial income (expense)						(136)
Income tax						(141)
Share in net income of equity investments						3
Net profit						**490**
Segment assets (1)	**13,646**	**4,595**	**5,891**	**1,006**	**-**	**25,138**
Deferred taxes (assets)						1,287
Prepaid employee defined benefit costs						28
Financial assets						3,180
Total assets						**29,633**
Segment liabilities (2)	**10,528**	**4,150**	**3,834**	**1,270**	**-**	**19,782**
Deferred taxes (liabilities)						88
Accrued employee defined benefit costs						1,145
Financial debt						4,466
Total equity						4,152
Total equity and liabilities						**29,633**
Capital employed (3)	**3,118**	**445**	**2,057**	**(264)**	**-**	**5,356**
Capital expenditure	**(413)**	**(206)**	**(126)**	**(46)**	**-**	**(791)**
Depreciation and amortisation in EBIT	**262**	**148**	**229**	**37**	**-**	**676**

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates and other investments, other non current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets.

(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

(3) Capital employed corresponds to segment assets *minus* segment liabilities.

At 31 March 2010

(in € million)	Power	Transport	Corporate & others	Elimina-tions	Total
Sales	13,918	5,751	-	(19)	19,650
Inter Sector eliminations	(17)	(2)	-	19	-
Total Sales	**13,901**	**5,749**	**-**	**-**	**19,650**
Income (loss) from operations	1,468	414	(103)	-	1,779
Earnings (loss) before interest and taxes	**1,377**	**368**	**(116)**	**-**	**1,629**
Financial income (expense)					(42)
Income tax					(385)
Share in net income of equity investments					3
Net profit					**1,205**
Segment assets (1)	**13,953**	**5,239**	**959**	**-**	**20,151**
Deferred taxes (assets)					982
Prepaid employee defined benefit costs					8
Financial assets					4,837
Total assets					**25,978**
Segment liabilities (2)	**11,749**	**5,317**	**1,141**	**-**	**18,207**
Deferred taxes (liabilities)					113
Accrued employee defined benefit costs					943
Financial debt					2,614
Total equity					4,101
Total equity and liabilities					**25,978**
Capital employed (3)	**2,204**	**(78)**	**(182)**	**-**	**1,944**
Capital expenditure	**(428)**	**(199)**	**(52)**	**-**	**(679)**
Depreciation and amortisation in EBIT	**224**	**152**	**56**	**-**	**432**

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates and other investments, other non current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets.

(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

(3) Capital employed corresponds to segment assets *minus* segment liabilities.

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At 31 March 2009

(in € million)	Power	Transport	Corporate & others	Elimina-tions	Total
Sales	13,060	5,685	-	(6)	18,739
Inter Sector eliminations	(6)	-	-	6	-
Total Sales	**13,054**	**5,685**	**-**	**-**	**18,739**
Income (loss) from operations	1,248	408	(120)	-	1,536
Earnings (loss) before interest and taxes	**1,172**	**389**	**(118)**	**-**	**1,443**
Financial income (expense)					21
Income tax					(373)
Share in net income of equity investments					27
Net profit					**1,118**
Segment assets (1)	**13,640**	**5,172**	**1,009**	**-**	**19,821**
Deferred taxes (assets)					1,012
Prepaid employee defined benefit costs					4
Financial assets					3,407
Total assets					**24,244**
Segment liabilities (2)	**12,171**	**5,503**	**1,290**	**-**	**18,964**
Deferred taxes (liabilities)					70
Accrued employee defined benefit costs					970
Financial debt					1,356
Total equity					2,884
Total equity and liabilities					**24,244**
Capital employed (3)	**1,469**	**(331)**	**(281)**	**-**	**857**
Capital expenditure	**(407)**	**(229)**	**(35)**	**-**	**(671)**
Depreciation and amortisation in EBIT	**226**	**123**	**35**	**-**	**384**

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates and other investments, other non current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets.

(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.

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

4.2. KEY INDICATORS BY GEOGRAPHIC AREA

Sales by country of destination

	Year ended		
	31 March	31 March	31 March
(in € million)	2011	2010	2009
Euro zone *(1)*	5,961	6,550	6,594
thereof France	*2,155*	*1 983*	*2,182*
Rest of Europe	3,392	3,261	3,111
North America	2,571	2,736	2,943
thereof USA	*1,753*	*2,176*	*2,508*
South & Central America	1,731	952	1,088
Asia / Pacific	3,788	2,251	2,557
Middle East / Africa	3,480	3,900	2,446
Total Group	**20,923**	**19,650**	**18,739**

(1) For the period ended 31 March 2009, euro zone comprises : Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal and Spain. Slovakia and Slovenia have been added for the period ended 31 March 2010. Estonia has been added for the period ended 31 March 2011.

Sales by country of origin

	Year ended		
	31 March	31 March	31 March
(in € million)	2011	2010	2009
Euro zone *(1)*	8,209	10,104	8,647
thereof France	*4,247*	*5,151*	*4,046*
Rest of Europe	6,410	3,679	4,486
North America	2,265	2,631	2,862
thereof USA	*1,714*	*2,236*	*2,530*
South & Central America	1,090	767	655
Asia / Pacific	1,653	1,433	1,650
Middle East / Africa	1,296	1,036	439
Total Group	**20,923**	**19,650**	**18,739**

(1) For the period ended 31 March 2009, euro zone comprises : Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal and Spain. Slovakia and Slovenia have been added for the period ended 31 March 2010. Estonia has been added for the period ended 31 March 2011.

Non current assets by country of location

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Euro zone *(1)*	3,438	1,641	1,576
thereof France (2)	*2,510*	*762*	*735*
Rest of Europe (3)	5,134	4,672	4,639
North America	741	541	412
thereof USA	*640*	*462*	*350*
South & Central America	142	66	48
Asia / Pacific	806	488	442
Middle East / Africa	37	50	41
Total Group	**10,298**	**7,458**	**7,158**

(1) For the period ended 31 March 2009, euro zone comprises : Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal and Spain. Slovakia and Slovenia have been added for the period ended 31 March 2010. Estonia has been added for the period ended 31 March 2011.
(2) This amount includes goodwill of Grid Sector.
(3) This amount mainly includes goodwill of Power Sector located in Switzerland.

4.3 INFORMATION ABOUT MAJOR CUSTOMERS

No external customer represents individually 10% or more of the Group's consolidated sales.

NOTE 5. RESEARCH AND DEVELOPMENT EXPENDITURE

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Research and development expenses	**(703)**	**(558)**	**(586)**
Developments costs capitalised during the period (see Note 10.2)	(286)	(209)	(172)
Amortisation expense of capitalised development costs (see Note 10.2)	98	87	77
Amortisation of acquired technology (see Note 10.2)	67	67	60
Total research and development expenditure	**(824)**	**(613)**	**(621)**

Capitalisation of development costs relates mainly to the new generation of very high speed train (AGV™) for the Transport Sector and to carbon capture & storage technology for the Power Sector.

NOTE 6. OTHER INCOME AND OTHER EXPENSES

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Capital gains on disposal of businesses (1)	-	7	35
Other (4)	46	1	9
Other income	**46**	**8**	**44**
Capital losses on disposal of businesses (1)	(33)	(36)	(80)
Restructuring costs (2)	(520)	(96)	(46)
Expenses exclusively incurred in the context of business combinations (3)	(203)	(7)	-
Other (4)	(96)	(19)	(11)
Other expense	**(852)**	**(158)**	**(137)**
Other income (expenses)	**(806)**	**(150)**	**(93)**

(1) Capital gains reported for the year ended 31 March 2009 originated from the disposal of non-consolidated investments in South Africa.
Capital losses mainly arose:

- *for the financial years ended 31 March 2011 and 31 March 2009, from adjustments on the disposal of the former Marine Sector; and*
- *for the year ended 31 March 2010, from a fine from competition authorities related to a business disposed of in a previous year.*

(2) In the last six months of the financial year ended 31 March 2011, the Group has started to adapt its footprint in order to address the lower demand in developed countries (Europe and USA) and the fast growth of its markets in emerging countries. Power and Transport plans respectively announced in October 2010 and March 2011 account for the largest part of the amount of restructuring costs recorded for the year ended 31 March 2011.

(3) This item comprises the costs incurred to effect the acquisition of Grid (€ 44 million for the year ended 31 March 2011, €7 million for the year ended 31 March 2010) and the amortisation of acquired margin related to Grid's acquisition during the year ended 31 March .

(4) Other income and other expense for the year ended 31 March 2011 mainly derive from components of the post-employment and other long term defined benefit expense (see Note 23), costs of legal proceedings that have arisen outside the ordinary course of business and non-recurring impairment losses on assets.

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NOTE 7. FINANCIAL INCOME (EXPENSE)

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Interest income	49	51	107
Net financial income from employee defined benefit plans	-	-	5
Net exchange gain	-	-	4
Other financial income	8	8	6
Financial income	**57**	**59**	**122**
Interest expense	(135)	(58)	(78)
Net financial expense from employee defined benefit plans	(16)	(24)	-
Net exchange loss	(7)	(6)	-
Other financial expenses	(35)	(13)	(23)
Financial expense	**(193)**	**(101)**	**(101)**
Financial income (expense)	**(136)**	**(42)**	**21**
Out of which			
-financial income (expense) arising from financial instruments (see Note 25)	(120)	(18)	16

Interest income of €49 million represents the remuneration of the Group's cash positions over the period.

Interest expense of €(135) million represents the cost of the gross financial debt. The increase compared to last year is due to the issuance of new bonds mainly related to the acquisition of the Grid business (see Note 24).

Other financial expense of €(35) million incorporates fees and commitment fees paid on guaranteed facilities, syndicated loans and other financing facilities for € (25) million (€(13) million for the year ended 31 March 2010 and €(13) million for the year ended 31 March 2009).

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NOTE 8. TAXATION

8.1. ANALYSIS OF INCOME TAX CHARGE

The following table summarises the components of income tax charge for the years ended 31 March 2011, 2010, 2009:

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Current income tax charge	(248)	(199)	(173)
Deferred income tax charge	107	(186)	(200)
Income tax charge	**(141)**	**(385)**	**(373)**
Effective tax rate	22%	24%	25%

The favourable geographical mix of income before taxes of the period ended 31 March 2011 has enabled the Group to decrease the effective tax rate to 22% for the period ended 31 March 2011 compared to 24% for the previous fiscal year.

8.2. 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 2011, 2010 and 2009:

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Pre-tax income	**628**	**1,587**	**1,464**
Statutory income tax rate of the parent company	34.43%	34.43%	34.43%
Expected tax charge	**(216)**	**(546)**	**(504)**
Impact of:			
- Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	41	130	124
- Transactions liable for reduced tax rate	104	(3)	-
- Changes in unrecognised deferred tax assets	(52)	71	96
- Changes in tax rates	10	(2)	(29)
- Additional tax expense (withholding tax, CVAE in France and IRAP in Italy)	(47)	(35)	(31)
- Permanent differences and other	19	-	(29)
Income tax charge	**(141)**	**(385)**	**(373)**
Effective tax rate	**22%**	**24%**	**25%**

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8.3. 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 2011 and 2010:

	At 31 March 2010		Change in P&L	Change in equity *(1)*	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2011	
(in € million)	Deferred tax assets	Deferred tax liabilities					Deferred tax assets	Deferred tax liabilities
Differences between carrying amount and tax basis of tangible and intangible assets	178	(64)	(53)	-	13	(12)	166	(104)
Accruals for employee benefit costs not yet deductible	241	(3)	(17)	34	7	(2)	262	(2)
Provisions and other accruals not yet deductible	504	-	17	-	86	(4)	603	-
Differences in recognition of margin on construction contracts	100	(397)	(49)	-	(4)	2	47	(395)
Tax loss carry forwards	1,266	-	223	-	63	(22)	1,530	-
Other	76	(204)	38	-	40	7	141	(184)
Gross deferred tax assets/(liabilities)	**2,365**	**(668)**	**159**	**34**	**205**	**(31)**	**2,749**	**(685)**
Unrecognised deferred tax assets	(828)	-	(52)	59	(45)	1	(865)	-
Netting	(555)	555	-	-	-	-	(597)	597
Recognised deferred tax assets/(liabilities)	**982**	**(113)**	**107**	**93**	**160**	**(30)**	**1,287**	**(88)**
Net deferred tax assets/(liabilities)	**869**						**1,199**	

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

The Group is satisfied as to the recoverability of its recognised deferred tax assets at 31 March 2011 (€1,199 million) on the basis of an extrapolation of the last three-year business plan, as approved by the Board of Directors.

Deferred tax assets still unrecognised amount to €865 million at 31 March 2011 (€828 million at 31 March 2010). Most of these unrecognised deferred taxes are originated from tax loss carry forward, out of which €452 million are not subject to expiry at 31 March 2011 (€360 million at 31 March 2010).

NOTE 9. EARNINGS PER SHARE

9.1. EARNINGS

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Net profit attributable to equity holders of the parent	462	1,217	1,109
Financial interests related to bonds reimbursable with shares, net of tax	-	-	(1)
Earnings used to calculate basic and diluted earnings per share	**462**	**1,217**	**1,108**

9.2. NUMBER OF SHARES

	Year ended 31 March 2011	31 March 2010	31 March 2009
Weighted average number of ordinary shares used to calculate basic earnings per share	**294,210,753**	**289,234,516**	**286,787,449**
Effect of dilutive instruments other than bonds reimbursables with shares:			
- Stock options and performance shares [1]	2,537,173	1,936,644	3,290,001
- Free shares	230,089	240,293	1,332,599
Weighted average number of ordinary shares used to calculate diluted earnings per share	**296,978,014**	**291,411,453**	**291,410,049**

(1) Stock options taken into consideration in the calculation of the diluted earnings per share only relate to plans 7, 8 and 9, plans 10, 11, 12 and 13 being out of the money as at 31 March 2011.

9.3. EARNINGS PER SHARE

(in €)	Year ended 31 March 2011	31 March 2010	31 March 2009
- Basic earnings per share	1.57	4.21	3.87
- Diluted earnings per share	1.56	4.18	3.81

NOTE 10. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are reviewed for impairment at least annually and whenever events or circumstances indicate that they might be impaired. Such events or circumstances are related to significant, unfavourable changes that are of a lasting nature and affect either the economic environment or the assumptions or the targets adopted as of the acquisition date. An impairment loss is recognised when the recoverable value of the assets tested becomes durably lower than their carrying value.

10.1. GOODWILL

(in € million)	At 31 March 2010	Acquisitions	Disposals	Translation adjustments and other changes	At 31 March 2011
Power	3,381	291	-	(4)	3,668
Transport	523	46	-	(1)	568
Grid	-	1,162	-	(2)	1,160
Goodwill	**3,904**	**1,499**	**-**	**(7)**	**5,396**
of which:					
Gross value	3,904	1,499	-	(7)	5,396
Impairment	-	-	-	-	-

(in € million)	At 31 March 2009	Acquisitions	Disposals	Translation adjustments and other changes	At 31 March 2010
Power	3,368	-	-	13	3,381
Transport	518	-	-	5	523
Goodwill	**3,886**	**-**	**-**	**18**	**3,904**
of which:					
Gross value	3,886	-	-	18	3,904
Impairment	-	-	-	-	-

The movements of the period ended 31 March 2011 mainly arose from the acquisition of Grid business (see Note 3). This goodwill is calculated on a preliminary basis as at 31 March 2011.

The impairment test at 31 March 2011 supported the Group's opinion that goodwill is not impaired.

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

	Power	**Transport**	**Grid**
Net carrying amount of goodwill at 31 March 2011 (in € million)	3,668	568	1,160
Value elected as representative of the recoverable value	value in use	value in use	value in use
Number of years over which cash flow estimates are available	3 years	3 years	3 years
Extrapolation period of cash flow estimates	2 years	2 years	2 years
Long term growth rate at 31 March 2011	**2.0%**	**1.5%**	**2.0%**
Long term growth rate at 31 March 2010	2.0%	1.5%	-
Long term growth rate at 31 March 2009	2.0%	2.0%	-
After tax discount rate at 31 March 2011 *(1)*	**9.0%**	**9.0%**	**9.0%**
After tax discount rate at 31 March 2010 *(1)*	9.0%	9.0%	-
After tax discount rate at 31 March 2009 *(1)*	10.0%	10.0%	-

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

Sensitivity of enterprise values to key assumptions can be presented as follows:

(in € million)	**Power**		**Transport**		**Grid**	
	-100 bp	*+100 bp*	*-100 bp*	*+100 bp*	*-100 bp*	*+100 bp*
After tax discount rate	2,072	(1,555)	516	(393)	575	(430)
	-50 bp	*+50 bp*	*-50 bp*	*+50 bp*	*-50 bp*	*+50 bp*
Long-term growth rate	(611)	707	(192)	168	(213)	246

At 31 March 2011, a sensitivity analysis based on such key assumptions demonstrates that there is no probable scenario according to which the recoverable amount of the CGU would become less than its carrying value.

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10.2. INTANGIBLE ASSETS

(in € million)	At 31 March 2010	Additions / disposals / amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2011
Development costs	1,112	286	2	(5)	1,395
Acquired technology	1,245	1	172	4	1,422
Other intangible assets	277	35	338	28	678
Gross value	**2,634**	**322**	**512**	**27**	**3,495**
Development costs	(452)	(98)	-	1	(549)
Acquired technology	(575)	(93)	-	-	(668)
Other intangible assets	(154)	(159)	-	(31)	(344)
Accumulated amortisation and impairment	**(1,181)**	**(350)**	**-**	**(30)**	**(1,561)**
Development costs	660	188	2	(4)	846
Acquired technology	670	(92)	172	4	754
Other intangible assets	123	(124)	338	(3)	334
Net value	**1,453**	**(28)**	**512**	**(3)**	**1,934**

(in € million)	At 31 March 2009	Additions / disposals / amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2010
Development costs	907	209	-	(4)	1,112
Acquired technology	1,244	-	-	1	1,245
Other intangible assets	240	23	-	14	277
Gross value	**2,391**	**232**	**-**	**11**	**2,634**
Development costs	(363)	(87)	-	(2)	(452)
Acquired technology	(508)	(67)	-	-	(575)
Other intangible assets	(123)	(27)	-	(4)	(154)
Accumulated amortisation and impairment	**(994)**	**(181)**	**-**	**(6)**	**(1,181)**
Development costs	544	122	-	(6)	660
Acquired technology	736	(67)	-	1	670
Other intangible assets	117	(4)	-	10	123
Net value	**1,397**	**51**	**-**	**5**	**1,453**

The movements of the period ended 31 March 2011 are mainly due to the recognition of technology, order backlog margin and customer relationships as assets acquired in the Grid business combination (see Note 3).

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 at 31 March 2010.

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

(in € million)	At 31 March 2010	Acquisitions/ Depreciation/ Impairments	Disposals	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2011
Land	126	11	(7)	64	3	197
Buildings	1,263	83	(84)	223	127	1,612
Machinery and equipment	2,325	151	(95)	239	96	2,716
Constructions in progress	340	164	(7)	68	(303)	262
Tools, furniture, fixtures and other	469	68	(49)	40	10	538
Gross value	**4,523**	**477**	**(242)**	**634**	**(67)**	**5,325**
Land	(5)	(2)	-	-	(2)	(9)
Buildings	(579)	(77)	65	-	(12)	(603)
Machinery and equipment	(1,641)	(183)	83	-	26	(1,715)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(340)	(62)	44	-	11	(347)
Accumulated depreciation and impairment	**(2,565)**	**(324)**	**192**	**-**	**23**	**(2,674)**
Land	121	9	(7)	64	1	188
Buildings	684	6	(19)	223	115	1,009
Machinery and equipment	684	(32)	(12)	239	122	1,001
Constructions in progress	340	164	(7)	68	(303)	262
Tools, furniture, fixtures and other	129	6	(5)	40	21	191
Net value	**1,958**	**153**	**(50)**	**634**	**(44)**	**2,651**

(in € million)	At 31 March 2009	Acquisitions/ Depreciation/ Impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	At 31 March 2010
Land	121	3	(1)	-	3	126
Buildings	1,161	69	(53)	(1)	87	1,263
Machinery and equipment	2,116	161	(89)	(1)	138	2,325
Constructions in progress	342	145	(4)	-	(143)	340
Tools, furniture, fixtures and other	437	53	(45)	-	24	469
Gross value	**4,177**	**431**	**(192)**	**(2)**	**109**	**4,523**
Land	(5)	-	-	-	-	(5)
Buildings	(566)	(52)	42	-	(3)	(579)
Machinery and equipment	(1,547)	(144)	82	1	(33)	(1,641)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(324)	(48)	41	-	(9)	(340)
Accumulated depreciation and impairment	**(2,442)**	**(244)**	**165**	**1**	**(45)**	**(2,565)**
Land	116	3	(1)	-	3	121
Buildings	595	17	(11)	(1)	84	684
Machinery and equipment	569	17	(7)	-	105	684
Constructions in progress	342	145	(4)	-	(143)	340
Tools, furniture, fixtures and other	113	5	(4)	-	15	129
Net value	**1,735**	**187**	**(27)**	**(1)**	**64**	**1,958**

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

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Land	13	13	13
Buildings	77	88	98
Machinery and equipment	7	7	9
Tools, furniture, fixtures and other	15	18	17
Net value of tangible assets held under finance leases	**112**	**126**	**137**

Commitments to purchase fixed assets amount to €85 million at 31 March 2011. They notably arise from the construction of a new facility in the United States of America for the manufacturing of steam and gaz turbines.

NOTE 12. ASSOCIATES AND NON CONSOLIDATED INVESTMENTS

12.1. ASSOCIATES

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009	% interest
Shanghai Alstom Transportation Company (SATCO)	10	10	14	40.0%
Cerrey - Babcock & Wilcox de Mexico	17	17	13	25.0%
Alstom Atomenergomash	12	13	9	49.0%
Other	4	3	3	-
Total	**43**	**43**	**39**	**-**

(in € million)	Closing date	Total assets at closing date	Total liabilities at closing date	Total revenues	Total net profit (loss)
Shanghai Alstom Transportation Company (SATCO)	31 December	73	48	59	6
Cerrey - Babcock & Wilcox de Mexico (1)	31 December	167	101	117	7
Alstom Atomenergomash	31 March	93	8	-	(1)

(1) Financial statements of year end closing 31 December 2010 are not yet available. Financial statements of year end closing 31 December 2009 are disclosed.

12.2. NON CONSOLIDATED INVESTMENTS

(in € million)	At 31 March 2011			At 31 March 2010	At 31 March 2009	2011
	Gross	**Impairment**	**Net**	Net	Net	**% interest**
Bright Source Energy	110	-	110	-	-	17,80%
Shanghai Lingang Transformers (1)	26	-	26	-	-	50.00%
Tramvia Metropolita SA	5	-	5	5	8	25.35%
Tramvia Metropolita del Besos	3	-	3	3	3	15.20%
Other *(2)*	27	(7)	20	15	16	-
Total	**171**	**(7)**	**164**	23	27	

(1) This entity was acquired during the financial year 2010-2011 and the accounting treatment is still under review.

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

Changes in fair value occurred during the financial year ended 31 March 2011 amount to € 12 million and have been recorded in other comprehensive income as gains on available for sale financial assets.

NOTE 13. OTHER NON-CURRENT ASSETS

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Financial non-current assets associated to financial debt (1)	429	450	449
Long-term loans, deposits and other	138	85	80
Other non-current assets	**567**	**535**	**529**

(1) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 24 and 29). They are made up as follows:
- At 31 March 2011, €405 million receivables and €24 million deposit ;
- At 31 March 2010, €427 million receivables and €23 million deposit;
- At 31 March 2009, €429 million receivables and €20 million deposit.

NOTE 14. INVENTORIES

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Raw materials and supplies	944	932	1,019
Work in progress	2,461	2,116	1,995
Finished products	377	303	147
Inventories, gross	**3,782**	**3,351**	**3,161**
Raw materials and supplies	(166)	(112)	(91)
Work in progress	(168)	(176)	(170)
Finished products	(85)	(30)	(24)
Write-down	**(419)**	**(318)**	**(285)**
Inventories, net	**3,363**	**3,033**	**2,876**

Changes in inventory write-down recognised as expense for the year ended 31 March 2011 amount to € 26 million (€ 32 million expense for the year ended 31 March 2010, € 20 million income for the year ended 31 March 2009)

NOTE 15. CONSTRUCTION CONTRACTS IN PROGRESS

(in € million)	At 31 March 2011	At 31 March 2010	Variation	At 31 March 2009
Construction contracts in progress, assets	2,479	3,637	(1,158)	3,139
Construction contracts in progress, liabilities	(9,166)	(10,169)	1,003	(10,581)
Construction contracts in progress	**(6,687)**	**(6,532)**	**(155)**	**(7,442)**

(in € million)	At 31 March 2011	At 31 March 2010	Variation	At 31 March 2009
Contract costs incurred *plus* recognised profits *less* recognised losses to date	48,228	51,577	(3,349)	46,180
Less progress billings	(50,839)	(54,345)	3,506	(49,258)
Construction contracts in progress excluding down payments received from customers	**(2,611)**	**(2,768)**	**157**	**(3,078)**
Down payments received from customers	(4,076)	(3,764)	(312)	(4,364)
Construction contracts in progress	**(6,687)**	**(6,532)**	**(155)**	**(7,442)**

NOTE 16. 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 2011	**6,053**	5,037	312	258	446
o/w gross	6,170	5,101	313	259	497
o/w impairment	(117)	(64)	(1)	(1)	(51)
Trade receivables at 31 March 2010	**3,446**	2,624	354	156	312
o/w gross	3,531	2,648	355	157	371
o/w impairment	(85)	(24)	(1)	(1)	(59)
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)

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 17. OTHER CURRENT OPERATING ASSETS

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Down payments made to suppliers	560	554	611
Corporate income tax	51	73	67
Other taxes	709	589	485
Prepaid expenses	329	137	142
Other receivables	418	457	421
Derivatives relating to operating activities (see Note 25)	365	318	342
Remeasurement of hedged firm commitments in foreign currency	513	450	705
Other current operating assets	**2,945**	**2,578**	**2,773**

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NOTE 18. MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Derivatives related to financing activities	33	31	10
Marketable securities	17	4	5
Marketable securities and other current financial assets	**50**	**35**	**15**

NOTE 19. WORKING CAPITAL

Balance sheet positions

(in € million)	**At 31 March 2011**	**At 31 March 2010**	**Variation**	**At 31 March 2009**
Inventories	3,363	3,033	330	2,876
Construction contracts in progress, assets	2,479	3,637	(1,158)	3,139
Trade receivables	6,053	3,446	2,607	3,873
Other current operating assets	2,945	2,578	367	2,773
Assets	**14,840**	**12,694**	**2,146**	**12,661**
Non-current provisions	1,095	460	635	444
Current provisions	1,387	1,181	206	1,226
Construction contracts in progress, liabilities	9,166	10,169	(1,003)	10,581
Trade payables	4,071	3,613	458	3,866
Other current operating liabilities	4,063	2,784	1,279	2,847
Liabilities	**19,782**	**18,207**	**1,575**	**18,964**
Working capital	**(4,942)**	**(5,513)**	**571**	**(6,303)**

Analysis of variation in working capital

(in € million)	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Working capital at the beginning of the period	**(5,513)**	**(6,303)**
Changes in working capital resulting from operating activities (*)	743	960
Changes in working capital resulting from investing activities (**)	97	1
Translation adjustments and other changes	(269)	(171)
Total changes in working capital	**571**	**790**
Working capital at the end of the period	**(4,942)**	**(5,513)**

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

(**) Item presented within "net cash used in investing activities" in the consolidated statement of cash flows

NOTE 20. 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;
- reimburse a portion of capital;
- issue new shares; or,
- sell assets in order to scale back its net debt.

20.1. MOVEMENTS IN SHARE CAPITAL

Movements in financial year ended 31 March 2011

At 31 March 2011, the share capital of Alstom amounted to € 2,060,935,128 consisting of 294,419,304 ordinary shares with a par value of €7 each. For the year ended 31 March 2011, the weighted average number of outstanding ordinary shares amounted to 294,210,753 and the weighted average number of ordinary and dilutive shares stood at 296,978,014.

During the year ended 31 March 2011, 4,380 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 275 shares at a par value of €7. The 81,682 bonds reimbursable with shares outstanding at 31 March 2011 represent 5,130 shares to be issued.

Movements in financial year ended 31 March 2010

At 31 March 2010, the share capital of Alstom amounted to € 2,056,893,972 consisting of 293,841,996 ordinary shares with a par value of €7 each. For the year ended 31 March 2010, the weighted average number of outstanding ordinary shares amounted to 289,234,516 and the weighted average number of ordinary and dilutive shares stood at 291,411,453.

During the year ended 31 March 2010, 19,209 bonds reimbursable in shares "Obligations Remboursables en Actions" were converted into 1,211 shares at a par value of €7. The 86,062 bonds reimbursable with shares outstanding at 31 March 2010 represented 5,405 shares to be issued.

In March 2010, 4,400,000 shares have been issued to Bouygues, Alstom main shareholder. This issuance of shares extinguishes a financial debt that arose from a put option granted by Alstom to Bouygues in 2006 (see Note 24).

In June 2009, ALSTOM acquired 700,000 of its own shares for a total amount of €34 million. These shares have subsequently been cancelled.

In April 2009, 1,092,111 new shares have been created, following the implementation of the employee profit sharing plan " ALSTOM sharing 2009" (see Note 21) .

Movements in financial year ended 31 March 2009

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 represented 6,611 shares to be issued.

20.2. DISTRIBUTION OF DIVIDENDS

In respect of the financial year ended 31 March 2011, it will be proposed to the Shareholders' meeting called on 28 June 2011 to distribute dividends for a total amount of €183 million corresponding to a €0,62 dividend per share.

The following dividends were distributed in respect of the previous three financial years:

- year ended 31 March 2010 (decision of Shareholders' meeting held on 22 June 2010): total amount of €364 million, corresponding to a €1,24 dividend per share;
- year ended 31 March 2009 (decision of Shareholders' meeting held on 23 June 2009): total amount of €323 million, corresponding to a €1,12 dividend per share;
- year ended 31 March 2008 (decision of Shareholders' meeting held on 24 June 2008): total amount of €226 million, corresponding to a €0,80 dividend per share (after the two-for-one stock split that took place on 7 July 2008).

NOTE 21. SHARE-BASED PAYMENTS

21.1. STOCK OPTIONS, PERFORMANCE SHARES AND STOCK APPRECIATION RIGHTS

- **Stock option plans and free performance shares**

	Adjusted exercise price *(1)*	Exercise period	Option's fair value at grant date	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 2011 (inc. those that may be subscribed by the present members of the Executive Committee)	Performance share's fair value at grant date	Adjusted number of performance shares that may be delivered *(3)*	Adjusted number of performance shares delivered since the origin	Adjusted number of performance shares cancelled since the origin	Adjusted number of outstanding performance shares at 31 March 2011 (inc. to the present members of the Executive Committee)
Plans issued of shareholders meeting on 24 July 2001												
Plan #6												
Granted on 7 January 2003 to 5 beneficiaries	€77.20	7 Jan. 2004 6 Jan. 2011	-	94,828	5,000	89,828	-	-	-	-	-	-
Plans issued of shareholders meeting on 9 July 2004												
Plan #7												
Granted on 17 September 2004 to 1,007 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	€ 6.97	5,566,000	4,445,828	438,500	681,672 (125,000)	-	-	-	-	-
Plan #8												
Granted on 27 September 2005 to 1,030 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	€ 9.72	2,803,000	1,520,831	255,232	1,026,937 (130,000)	-	-	-	-	-
Plan #9												
Granted on 28 September 2006 to 1,053 beneficiaries	€37.33	28 Sept. 2009 26 Sept. 2016	€ 12.19	3,367,500	497,767	341,000	2,528,733 (525,000)	-	-	-	-	-
Plans issued of shareholders meeting on 26 June 2007												
Plan #10												
Granted on 25 September 2007 to 1,196 beneficiaries	€67,50	25 Sept. 2010 24 Sept. 2017	€ 26.69	1,697,200	1,000	98,900	1,597,300 (298,000)	€ 116.42	252,000	102,160	27,840	122,000
Plan #11												
Granted on 23 September 2008 to 1,431 beneficiaries	€66.47	23 Sept. 2011 22 Sept. 2018	€ 18.58	754,300	-	754,300	-	€ 57.31	445,655	-	445,655	-
Plan #12												
Granted on 21 September 2009 to 1,360 beneficiaries	€49.98	21 Sept. 2012 20 Sept. 2017	€ 10.28	871,350	-	30,550	840,800 (217,000)	€ 43.28	522,220	-	33,700	488,520 (16,000)
Plan issued of shareholders meeting on 22 June 2010												
Plan #13												
Granted on 13 December 2010 to 1,716 beneficiaries	€33.14	13 Dec. 2013 12 Dec. 2018	€ 6.93	1,235,120		54,630	1,180,490 (245,000)	€ 28.31	740,860	-	20,980	719,880 (20,000)

(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).
(2) The number of options and performance shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.
(3) The performance shares initially granted amounted to 126,000 (plan 10).

The exercise period of stock options granted by plan 6 has expired during the year ended 31 March 2011.

At 31 March 2011, stock options granted by plans 7, 8, 9 and 10 are fully vested. These options will expire seven years after the end of the vesting period of each plan.

The number of stock options, free performance shares and stock appreciation rights granted on 23 September 2008 under the long term incentive plan 11 was conditional upon the Group satisfying specified levels of operating margin for the financial year 2010/2011.
The 2010/2011 Group's operating margin is below 9.0%; as a consequence no option will be exercisable under this plan and no performance share will be delivered.

The long term incentive plans 12 and 13 set up since 2007 also combine the allocation of stock options with the free allocation of performance shares.
The grant of these instruments is conditional upon the group satisfying the following performance conditions:

LTI plan 12 granted on 21 September 2009:

In order to take into account the temporary dilutive impact of the integration of Alstom Grid, the Board of Directors has decided to adjust the thresholds of the operating margin for the financial year 2011/2012 as follows:
if the 2011/12 Group's operating margin is equal or above 8.7%, 840,800 options will be exercisable and 488,520 performance shares will be delivered;
if the 2011/12 Group's operating margin is between 8.2% (inclusive) and 8.7% (exclusive), 80% of options will be exercisable and 80% of performance shares will be delivered;
if the 2011/12 Group's operating margin is between 7.2% (inclusive) and 8.2% (exclusive), 60% of options will be exercisable and 60% of performance shares will be delivered;
if the 2011/12 Group's operating margin is between 6.5% (inclusive) and 7.2% (exclusive), 40% of options will be exercisable and 40% of performance shares will be delivered;
if the 2011/12 Group's operating margin is below 6.5%, no option will be exercisable and no performance share will be delivered.

LTI plan 13 granted on 13 December 2010:
The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the financial years 2010/2011, 2011/2012 and 2012/2013:

	% of conditionnal options exercisable & performance shares to be delivered		
	FY10/11	**FY11/12**	**FY12/13**
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

For financial year 2010/2011, based on consolidated financial statements, the performance condition is achieved for 40% of an allotment of LTIP13 options and performance shares.

As a reference, for financial year 2011/2012, the Group has given a 7% to 8% operating margin guidance.

- **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 2011
SARs #7 Granted on 1 December 2004 for 114 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	478,000	407,620	69,052	1,328
SARs #8 Granted on 18 November 2005 for 120 beneficiaries	€22.45	27 Sept. 2008 18 Nov. 2015	234,000	127,750	43,100	63,150
Notional SARs (3) Granted on 16 December 2005 for 120 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	232,000	189,074	37,000	5,926
SARs #9 Granted on 28 September 2006 for 134 beneficiaries	€36.05	28 Sept. 2009 28 Sept. 2016	341,250	167,425	53,125	120,700
SARs #10 Granted on 25 September 2007 for 134 beneficiaries	€73.42	25 Sept. 2010 24 Sept. 2017	59,700	1,800	4,200	53,700

(1) The exercise price before adjustment corresponds to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the board (no discount or surcharge).
(2) The number of SARS and their exercise prices have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.

(3) Notional SARs are capped at € 22.45.

- **Movements in stock option plans, performance shares and stock appreciation rights plans**

	Number of options	Weighted average exercise price per share in €	Number of SARs	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2009	**8,983,767**	**46.05**	**508,554**	**34.14**	**679,551**
Granted	871,350	49.98			522,220
Exercised	(1,395,765)	20.52	(217,651)	28.84	(160)
Cancelled	(513,438)	180.71	11,841	19.97	(24,395)
Outstanding at 31 March 2010 (1)	**7,945,914**	**42.27**	**302,744**	**36.87**	**1,177,216**
Granted	1,235,120	33.14	0	0	740,860
Exercised	(364,619)	19.31	(86,490)	35.73	(102,000)
Cancelled	(960,483)	51.29	28,550	43.21	(485,676)
Outstanding at 31 March 2011	**7,855,932**	**39.15**	**244,804**	**40.15**	**1,330,400**

(1) On 11 May 2010, 101,560 free shares were allocated to beneficiaries of French companies.

As at 31 March 2011,

- 7,855,932 stock options are outstanding, of which 5,834,642 are exercisable,
- 1,330,400 performance shares are outstanding,
- 244,804 SARs are outstanding, of which 244,804 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
Plan #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%
Plan #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%
Plan #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%
Plan #12 Granted on 21 September 2009 with an expected life of 3 years	€49.98	20 Sept. 2012	€50.35	30%	2.0%	1.3%
Plan #13 Granted on 13 December 2010 with an expected life of 3 years	€33.14	12 Dec. 2013	€35.40	31%	1.8%	3.1%

The option valuation method follows a binomial mathematical model for plans 9, 10 and 11 and a Black & Scholes model for plans 12 and 13, 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.

The Group booked a total expense of € 11 million for the year ended 31 March 2011, and € 15 million for the year ended 31 March 2010.

- **Valuation of stock appreciation rights (SARs) plans**

	Exercise price	End of vesting period	Share price at 31 March: - 2011 - 2010	Volatility	Risk free interest rate	Average dividend yield
SARs #7 Granted on 1 December 2004 with an expected life of 4 years	€8.60	17 Sept. 2007	€ 41.73 €46.17	23%	1.8%	2.2%
SARs #8 Granted on 18 November 2005 with an expected life of 4 years	€22.45	27 Sept. 2008	€ 41.73 €46.17	23%	1.8%	2.2%
Notional SARs Granted on 27 September 2005 with an expected life of 4 years	€17.88	27 Sept. 2008	*	23%	1.8%	2.2%
SARs #9 Granted on 28 September 2006 with an expected life of 4 years	€36.05	28 Sept. 2009	€ 41.73 €46.17	23%	1.8%	2.2%
SARs #10 Granted on 25 September 2007 with an expected life of 4 years	€73.42	24 Sept. 2010	€ 41.73 €46.17	23%	1.8%	2.2%

* 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.

The Group books a total income of € 2 million for the year ended 31 March 2011, and € 4 million for the year ended 31 March 2010.

21.2. 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 immediately offset in equity. The cost related to the portion of the attribution to be settled in cash is spread over the vesting period that extends until 16 May 2010 (€4 million income for the year ended 31 March 2011 and €2 million income for the year ended 31 March 2010).

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- **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: within this plan, subscribing employees outside France will receive, instead of the company match offered to the subscribers in France, shares allocated for free by Alstom; 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:

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

NOTE 22. PROVISIONS

(in € million)	At 31 March 2010	Additions	Releases	Applications	Business combination	Translation adjustments and other	At 31 March 2011
Warranties	484	381	(185)	(189)	223	7	721
Litigations and claims	697	392	(368)	(263)	212	(4)	666
Current provisions (1)	**1,181**	**773**	**(553)**	**(452)**	**435**	**3**	**1,387**
Tax risks and litigations (2)	92	50	(19)	(54)	69	1	139
Restructuring (3)	102	327	(11)	(68)	12	(1)	361
Other non-current provisions (4)	266	300	(78)	(47)	157	(3)	595
Non-current provisions	**460**	**677**	**(108)**	**(169)**	**238**	**(3)**	**1 095**
Total provisions	**1,641**	**1 450**	**(661)**	**(621)**	**673**	**-**	**2,482**

(in € million)	At 31 March 2009	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2010
Warranties	477	281	(155)	(126)	7	484
Litigations and claims	749	237	(112)	(183)	6	697
Current provisions (1)	**1,226**	**518**	**(267)**	**(309)**	**13**	**1,181**
Tax risks and litigations (2)	71	34	(9)	(19)	15	92
Restructuring (3)	117	65	(28)	(53)	1	102
Other non-current provisions (4)	256	73	(45)	(16)	(2)	266
Non-current provisions	**444**	**172**	**(82)**	**(88)**	**14**	**460**
Total provisions	**1,670**	**690**	**(349)**	**(397)**	**27**	**1,641**

(1) Current provisions relate to warranties, litigations and claims on completed contracts.

(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) In the last six months of the financial year ended 31 March 2011, the Group has started to implement fundamental reorganisations of its footprint in order to address the lower demand in developed countries (Europe and USA) and the fast growth of its markets in emerging countries.

(4) Other non-current provisions mainly relate to guarantees delivered in connection with disposals, employee litigations, commercial disputes and environmental obligations. Environmental provisions amount to €41 million at 31 March 2011 and €16 million at 31 March 2010.

NOTE 23. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

• Change in defined benefit obligations

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligations at beginning of year	**(4,251)**	**(3,668)**	**(4,110)**
Service cost	(74)	(69)	(68)
Plan participant contributions	(37)	(33)	(29)
Interest cost	(233)	(206)	(219)
Plan amendments	(9)	(3)	1
Business combinations / disposals	(382)	(5)	(1)
Curtailments	19	1	-
Settlements	10	49	74
Actuarial gains (losses) - due to experience	(25)	(16)	15
Actuarial gains (losses) - due to changes in assumptions	(124)	(380)	293
Benefits paid	295	228	213
Change in scope	-	-	-
Foreign currency translation	(81)	(149)	163
Defined benefit obligations at end of year	**(4,892)**	**(4,251)**	**(3,668)**
Of which:			
Funded schemes	(4,311)	(3,840)	(3,342)
Unfunded schemes	(581)	(411)	(326)

• Change in plan assets

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Fair value of plan assets at beginning of year	**3,334**	**2,716**	**3,360**
Expected return on assets	217	182	224
Actuarial gains (losses) on assets due to experience	(27)	405	(663)
Company contributions	132	104	146
Plan participant contributions	37	33	29
Business combinations /disposals	204	-	-
Settlements	(10)	(46)	(67)
Benefits paid from plan assets	(216)	(189)	(148)
Change in scope	-	-	-
Foreign currency translation	92	129	(165)
Fair value of plan assets at end of year	**3,763**	**3,334**	**2,716**

- **Reconciliation of funded status of the plans with assets and liabilities recognised in the balance sheet**

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Funded status of the plans	**(1,129)**	**(917)**	**(952)**
Unrecognised past service costs (gains)	25	(12)	(10)
Impact of asset ceiling	(13)	(6)	(4)
Net of accrued and prepaid benefit costs after asset ceiling	**(1,117)**	**(935)**	**(966)**
Of which:			
Accrued pension and other employee benefit costs	***(1,145)***	***(943)***	***(970)***
Prepaid pension and other employee benefit costs	***28***	***8***	***4***

- **Details of funded status by geographical area:**

(in € million)	At 31 March 2011
Euro Zone	(616)
Rest of Europe	(292)
North America	(185)
South & central America	(10)
Asia/ Pacific	(21)
Middle East/ Africa	(5)
Total Group	**(1,129)**

- **Changes of accrued pensions and other employee benefits recognised in comprehensive income**

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

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Opening balance (net loss)	**(1,363)**	**(1,370)**	**(1,051)**
Actuarial gains and losses generated during the period	(176)	10	(355)
Asset ceiling generated during the period	(7)	(3)	36
Closing balance (net loss)	**(1,546)**	**(1,363)**	**(1,370)**

- **Components of plan assets**

(in € million)	At 31 March 2011	%	At 31 March 2010	%	At 31 March 2009	%
Equities	1,417	37.7	1,214	36.4	930	34.3
Bonds	1,898	50.4	1,747	52.4	1,412	52.0
Properties	340	9.0	270	8.1	215	7.9
Others	108	2.9	103	3.1	159	5.8
Total	**3,763**	100	**3,334**	100	**2,716**	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 2011, plan assets do not include any of the Group's capital stock.

- **Assumptions (weighted average rates)**

(in %)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Discount rate	4.82	5.11	5.74
Rate of compensation increase	3.03	2.99	3.10
Expected return on plan assets for the period	6.03	6.13	6.61

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% in the year ended 31 March 2011 and reduces thereafter to an ultimate rate of 5% from 2018 onwards.

Sensitivity analysis shows that a 50-point increase in discount rates would reduce the Group obligations by approximately €311 million. A 50-point decrease in discount rates would increase the Group obligations by approximately €329 million.

At the year ended 31 March 2011, the effective return on assets amounts to 5.37%.

- **Analysis of post-employment and other long-term defined benefit expense**

	Year ended		
(in € million)	**31 March 2011**	**31 March 2010**	**31 March 2009**
Service cost	(74)	(69)	(68)
Defined contributions *(*)*	(155)	(150)	(144)
Income from operations	**(229)**	**(219)**	**(212)**
Actuarial gains/losses on other long-term benefits	(1)	-	-
Amortisation of unrecognised past service gain (cost)	28	(1)	2
Curtailments/settlements	19	4	7
Other income (expenses)	**46**	**3**	**9**
Interest cost	(233)	(206)	(219)
Expected return on plan assets	217	182	224
Financial income (expenses)	**(16)**	**(24)**	**5**
Total benefit expense	**(199)**	**(240)**	**(198)**

(*) Excluding Grid's figures.

Including an expense of € 10 million related to multi-employer contributions accounted for as defined contribution plans for the year ended 31 March 2011.

Total cash spent in the year ended 31 March 2011 amounted respectively to €211 million and €155 (*)million for defined benefit and defined contribution plans (€143 million and €150 million for the year ended 31 March 2010 and €211 million and €144 million for the year ended 31 March 2009).

The company's best estimate of contributions to defined benefit and defined contribution plans expected to be paid in the year ended 31 March 2012 is approximately €350 (*)million, of which €174 (*)million of employer contributions to defined benefits plans.

(*) excluding Grid's amount

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NOTE 24. FINANCIAL DEBT

Carrying amount (in € million)	**At 31 March 2011**	**At 31 March 2010**	**At 31 March 2009**
Bonds *(1)*	3,238	1,736	273
Other borrowing facilities	611	248	261
Put options and earn-out on acquired entities (2)	20	30	209
Derivatives relating to financing activities	18	10	27
Accrued interests	37	17	1
Borrowings	**3,924**	**2,041**	**771**
Non-current	*3,346*	*1,845*	*65*
Current	*578*	*196*	*706*
Obligations under finance leases	137	146	156
Other obligations under long-term rental *(3)*	405	427	429
Obligations under finance leases	**542**	**573**	**585**
Non-current	*491*	*527*	*543*
Current	*51*	*46*	*42*
Total financial debt	**4,466**	**2,614**	**1,356**

(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**	**3 March 2010**	**23 September 2014**	**5 October 2015**	**01 February 2017**	**5 October 2018**	**18 March 2020**
Outstanding amount at 31 March 2009	**275**	**275**	**-**	**-**	**-**	**-**	**-**
Issue of bonds	1,750	-	500	-	750	-	500
Bonds reimbursed at maturity date	(275)	(275)	-	-	-	-	-
Outstanding amount at 31 March 2010	**1 750**	**-**	**500**	**-**	**750**	**-**	**500**
Issue of bonds	1 500	-	250	500	-	500	250
Bonds reimbursed at maturity date	-	-	-	-	-	-	-
Outstanding amount at 31 March 2011	**3 250**	**-**	**750**	**500**	**750**	**500**	**750**
Nominal interest rate	-	6.25%	4.0%	2,88%	4.13%	3,63%	4.50%
Effective interest rate as of 31 March 2011	-	-	3.89%	2,98%	4.25%	3,71%	4.58%
Effective interest rate as of 31 March 2010	-	7.16%	4.22%	-	4.25%	-	4.58%

(2) At the end of November 2009, Bouygues exercised the put option over its 50% equity interest in Alstom Hydro Holding in exchange for 4,400,000 Alstom shares. Due to clearance processes by competition authorities in some countries, the transaction has been finalised in March 2010. The liability cancelled for this operation amounted to €175 million at the day the put was exercised (€170 million at 31 March 2009).

(3) This debt represents liabilities related to lease obligations on trains and associated equipment (see Note 13 and 29).

NOTE 25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

25.1. 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 funds 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,
- 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.

• YEAR ENDED 31 MARCH 2011

Balance sheet positions at 31 March 2011

			Carrying amount of items classified as financial instruments (1)					Fair value of items classified as financial instruments			
At 31 March 2011 (in € million)	**Balance sheet carrying amount**	**Carrying amount not defined as financial instruments**	FV P/L	AFS	LRL at amortised cost	DER	**Total**	Listed prices	Internal model based on observables factors	Internal model not based on observables factors	**Total**
Associates and available for sale assets	**207**	**43**	-	164	-	-	**164**	-	164	-	**164**
Other non-current assets	**567**	**27**	-	-	540	-	**540**	-	111	429	**540**
Trade receivables	**6,053**	**-**	-	-	6,053	-	**6,053**	-	6,053	-	**6,053**
Other current operating assets	**2,945**	**1,650**	513	-	417	365	**1,295**	-	1,295	-	**1,295**
Marketable securities and other current financial assets	**50**	**-**	17	-	-	33	**50**	-	50	-	**50**
Cash and cash equivalents	**2,701**	**-**	2,701	-	-	-	**2,701**	-	2,701	-	**2,701**
Assets	**12,523**	**1,720**	**3 231**	**164**	**7,010**	**398**	**10,803**	**-**	**10,374**	**429**	**10,803**
Non-current borrowings	**3,346**	**-**	-	-	3,346	-	**3,346**	-	3,346	-	**3,346**
Non-current obligations under finance leases	**491**	**-**	-	-	491	-	**491**	-	491	-	**491**
Current borrowings	**578**	**-**	-	-	560	18	**578**	-	578	-	**578**
Current obligations under finance leases	**51**	**-**	-	-	51	-	**51**	-	51	-	**51**
Trade payables	**4,071**	**-**	-	-	4,071	-	**4,071**	-	4,071	-	**4,071**
Other current operating liabilities	**4,063**	**1,472**	311	-	1 717	563	**2,591**	-	2,591	-	**2,591**
Liabilities	**12,60**	**1,472**	**311**	**-**	**10,236**	**581**	**11,128**	**-**	**11,128**	**-**	**11,128**

(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.

Financial income and expense arising from financial instruments for period ended 31 March 2011

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	**TOTAL**
Interests	3	-	-	(89)	**(86)**
Interest income	*3*	*-*	*-*	*46*	*49*
Interest expense	*-*	*-*	*-*	*(135)*	*(135)*
Dividends	-	4	-	-	**4**
Impairment/loss from subsequent measurement	-	1	-	-	**1**
Gain on disposal	-	-	-	-	**-**
Foreign currency and other	-	-	-	(39)	**(39)**
Net income/expense for the year ended 31 March 2011	**3**	**5**	**-**	**(128)**	**(120)**

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The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.7) and bank fees (see Note 7).

Income from operations arising from financial instruments for the period ended 31 March 2011

Net foreign currency gains and losses recorded within income from operations are positive by €14 million for the year ended 31 March 2011.

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.

- **YEAR ENDED 31 MARCH 2010**

Balance sheet positions at 31 March 2010

			Carrying amount of items classified as financial instruments (1					Fair value of items classified as financial instruments			
At 31 March 2010 (in € million)	**Balance sheet carrying amount**	**Carrying amount not defined as financial instruments**	FV P/L	AFS	LRL at amortised cost	DER	**Total**	Listed prices	Internal model based on observables factors	Internal model not based on observables factors	**Total**
Associates and available for sale assets	**66**	**43**	-	23	-	-	**23**	-	23	-	**23**
Other non-current assets	**535**	**8**	-	-	527	-	**527**	-	77	450	**527**
Trade receivables	**3,446**	**-**	-	-	3,446	-	**3,446**	-	3,446	-	**3,446**
Other current operating assets	**2,578**	**1,355**	450	-	455	318	**1,223**	-	1,223	-	**1,223**
Marketable securities and other current financial assets	**35**	**-**	4	-	-	31	**35**	-	35	-	**35**
Cash and cash equivalents	**4,351**	**-**	4,351	-	-	-	**4,351**	-	4,351	-	**4,351**
Assets	**11,011**	**1,406**	**4 805**	**23**	**4,428**	**349**	**9,605**	**-**	**9,155**	**450**	**9,605**
Non-current borrowings	**1,845**	**-**	-	-	1,845	-	**1,845**	-	1,845	-	**1,845**
Non-current obligations under finance leases	**527**	**-**	-	-	527	-	**527**	-	527	-	**527**
Current borrowings	**196**	**-**	-	-	186	10	**196**	-	196	-	**196**
Current obligations under finance leases	**46**	**-**	-	-	46	-	**46**	-	46	-	**46**
Trade payables	**3,613**	**-**	-	-	3,613	-	**3,613**	-	3,613	-	**3,613**
Other current operating liabilities	**2,784**	**1,386**	263	-	699	436	**1,398**	-	1,398	-	**1,398**
Liabilities	**9,011**	**1,386**	**263**	**-**	**6,916**	**446**	**7,625**	**-**	**7,625**	**-**	**7,625**

(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.

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Financial income and expense arising from financial instruments for period ended 31 March 2010

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	**TOTAL**
Interests	-	-	-	(7)	**(7)**
Interest income	-	-	-	*51*	*51*
Interest expense	-	-	-	*(58)*	*(58)*
Dividends	-	2	-	-	**2**
Impairment/loss from subsequent measurement	-	-	-	-	**-**
Gain on disposal	-	-	-	-	**-**
Foreign currency and other	-	-	-	(13)	**(13)**
Net income/expense for the year ended 31 March 2010	**-**	**2**	**-**	**(20)**	**(18)**

The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.7) and bank fees (see Note 7).

Income from operations arising from financial instruments for the period ended 31 March 2010

Net foreign currency gains and losses recorded within income from operations are positive by €28 million for the year ended 31 March 2010.

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- **YEAR ENDED 31 MARCH 2009**

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)					Fair value of items classified as financial instruments			
			FV P/L	AFS	LRL at amortised cost	DER	Total	Listed prices	Internal model based on observables factors	Internal model not based on observables factors	Total
Associates and available for sale assets	**66**	**39**	-	27	-	-	**27**	-	27	-	**27**
Other non-current assets	**529**	**4**	-	-	525	-	**525**	-	76	449	**525**
Trade receivables	**3,873**	**-**	-	-	3,873	-	**3,873**	-	3,873	-	**3,873**
Other current operating assets	**2,773**	**1,309**	705	-	,417	342	**1,464**	-	1,464	-	**1,464**
Marketable securities and other current financial assets	**15**	**-**	5	-	-	10	**15**	-	15	-	**15**
Cash and cash equivalents	**2,943**	**-**	2,943	-	-	-	**2,943**	-	2,943	-	**2,943**
Assets	**10,199**	**1,352**	**3 653**	**27**	**4,815**	**352**	**8,847**	**-**	**8,398**	**449**	**8,847**
Non-current borrowings	**65**	**-**	-	-	60	5	**65**	-	65	-	**65**
Non-current obligations under finance leases	**543**	**-**	-	-	543	-	**543**	-	543	-	**543**
Current borrowings	**706**	**-**	-	-	684	22	**706**	-	706	-	**706**
Current obligations under finance leases	**42**	**-**	-	-	42	-	**42**	-	42	-	**42**
Trade payables	**3,866**	**-**	-	-	3,866	-	**3,866**	-	3,866	-	**3,866**
Other current operating liabilities	**2,847**	**1,313**	354	-	539	641	**1,534**	-	1,534	-	**1,534**
Liabilities	**8,069**	**1,313**	**354**	**-**	**5,734**	**668**	**6,756**	**-**	**6,756**	**-**	**6,756**

(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.

Financial income and expense arising from financial instruments for 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 2.3.7) and bank fees (see Note 7).

Income from operations arising from financial instruments 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.

25.2. CURRENCY RISK MANAGEMENT

- **Financial debt**

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

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Euro	3,686	2,062	700
US Dollar	52	7	8
British Pound	422	440	443
Other currencies	320	119	209
Financial debt in nominal value	**4,480**	**2,628**	**1,360**

The debt in GBP essentially originates from a long-term lease scheme of trains, involving London Underground. The related €405 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 13, 24 and 28).

- **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 2011 are the Swiss Franc and the US dollar.

During the tender period, depending on the probability to obtain the project and on market conditions, the Group generally hedges a portion of its tenders using options or export insurance contracts when possible. Once the contract is signed, forward exchange contracts 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 hedge derivatives to match the terms of 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 2011		At 31 March 2010		At 31 March 2009	
(in € million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	348	569	298	441	318	650
Derivatives qualifying for cash flow hedges	31	7	31	-	28	15
Derivatives qualifying for net investment hedges	-	-	-	-	-	-
Derivatives not qualifying for hedge accounting	1	2	5	3	6	3
Total	**380**	**578**	**334**	**444**	**352**	**668**

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 2011 and 31 March 2010 explains the significant amount of fair value of derivative instruments (either positive or negative). For instruments that qualify for fair value 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. The effects on pre-tax income arise from derivative instruments not qualifying for hedge accounting and unhedged monetary items while the effect on income and expense directly recognised in equity is due to the measurement of the effective portion of derivative instruments qualifying for cash flow hedge accounting.

	USD rate			CHF rate		
	Variation	Effect on pre-tax income	Effect on income and expense directly recognised in equity	Variation	Effect on pre-tax income	Effect on income and expense directly recognised in equity
Year ended 31 March 2011	10%	-	-	5%	-	(15)
	-10%	-	-	-5%	-	15
Year ended 31 March 2010	10%	1	-	5%	-	(17)
	-10%	(1)	-	-5%	-	17
Year ended 31 March 2009	10%	(1)	-	5%	4	(29)
	-10%	1	-	-5%	(4)	29

The effective portion of instruments qualifying for cash flow hedge accounting reclassified from equity to profit or loss during the year ended 31 March 2011 is positive by €27 million.

25.3. 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 (in € million)	**At 31 March 2011**	**At 31 March 2010**	**At 31 March 2009**
Financial assets at floating rate	2,793	4,372	2,965
Financial assets at fixed rate	454	480	481
Financial assets bearing interests	**3,247**	**4,852**	**3,446**
Financial debt at floating rate	40	(11)	(12)
Financial debt at fixed rate, put options and earn-out on acquired entities	4,426	(2,030)	(1,344)
Financial debt	**4,466**	**(2,041)**	**(1,356)**
Net position at floating rate before swaps	2,833	4,361	2,953
Net position at fixed rate before swaps	4,880	(1,550)	(863)
Net position before hedging	**7,713**	**2,811**	**2,090**
Net position at floating rate after swaps	2,833	4,361	2,953
Net position at fixed rate after swaps	4,880	(1,550)	(863)
Net position after hedging	**7,713**	**2,811**	**2,090**

Sensitivity is analysed based on the group's net cash position after hedging at 31 March 2011, 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 0.9% would increase the net interest income by €24 million while a fall of 0.9% would decrease it by the same amount.

25.4. 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 2011 and at 31 March 2010, 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. Restricted cash and cash equivalents available at subsidiary level were €398 million and €454 million at 31 March 2011 and 31 March 2010, respectively.

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25.5. LIQUIDITY RISK MANAGEMENT

- **Financial covenants**

At 31 March 2011, 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	Maximum total debt (€m)	Maximum total net debt leverage
	(a)	(b)	(c)
From March 2010 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).It amounts to 19.1 at year end 31 March 2011. This covenant did not apply at year end 31 March 2010 since the Group had 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 2011 is 0.8 ((1.1) at 31 March 2010).

- **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.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2011 and 31 March 2010.

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.

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Financial instruments held at 31 March 2011

Cash flow arising from instruments included in net cash at 31 March 2011

Cash flow for the years ended 31 March (in € million)	Carrying amount	2012		2013		2014-2016		2017 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	429	29	28	27	26	69	81	27	294
Marketable securities and other current financial assets	50	-	50	-	-	-	-	-	-
Cash and cash equivalents	2,701	24	2,701	-	-	-	-	-	-
Assets	**3,180**	**53**	**2,779**	**27**	**26**	**69**	**81**	**27**	**294**
Non-current borrowings	(3,346)	-	-	(130)	(27)	(251)	(1,310)	(206)	(2,009)
Non-current obligations under finance leases	(491)	-	-	(31)	(45)	(80)	(131)	(32)	(315)
Current borrowings	(578)	(132)	(578)	-	-	-	-	-	-
Current obligations under finance leases	(51)	(34)	(51)	-	-	-	-	-	-
Liabilities	**(4,466)**	**(166)**	**(629)**	**(161)**	**(72)**	**(331)**	**(1,441)**	**(238)**	**(2,324)**
Net cash	**(1,286)**	**(113)**	**2,150**	**(134)**	**(46)**	**(262)**	**(1,360)**	**(211)**	**(2,030)**

Cash flow arising from derivatives at 31 March 2011

Cash flow for the years ended 31 March (in € million)	Carrying amount	2012		2013		2014-2016		2017 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	365	-	245	-	77	-	40	-	3
Assets	**365**	**-**	**245**	**-**	**77**	**-**	**40**	**-**	**3**
Other current operating liabilities	(563)	-	(227)	-	(256)	-	(66)	-	(14)
Liabilities	**(563)**	**-**	**(227)**	**-**	**(256)**	**-**	**(66)**	**-**	**(14)**
Derivatives	**(198)**	**-**	**18**	**-**	**(179)**	**-**	**(26)**	**-**	**(11)**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2011

Cash flow for the years ended 31 March (in € million)	Carrying amount	2012		2013		2014-2016		2017 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	164	-	-	-	-	-	-	-	164
Other non-current assets	111	-	55	-	21	-	2	-	33
Trade receivables	6,053	-	6,053	-	-	-	-	-	-
Other current operating assets	930	-	930	-	-	-	-	-	-
Assets	**7,258**	**-**	**7,038**	**-**	**21**	**-**	**2**	**-**	**197**
Trade payables	(4,071)	-	(4,071)	-	-	-	-	-	-
Other current operating liabilities	(2 028)	-	(2 028)	-	-	-	-	-	-
Liabilities	**(6,099)**	**-**	**(6,099)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**1 159**	**-**	**939**	**-**	**21**	**-**	**2**	**-**	**197**

Financial instruments held at 31 March 2010

Cash flow arising from instruments included in net cash at 31 March 2010

Cash flow for the years ended 31 March (in € million)	Carrying amount	2011		2012		2013-2015		2016 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	450	30	25	29	28	74	76	48	321
Marketable securities and other current financial assets	35	-	16	-	19	-	-	-	-
Cash and cash equivalents	4,351	30	4,351	-	-	-	-	-	-
Assets	**4,836**	**60**	**4,392**	**29**	**47**	**74**	**76**	**48**	**321**
Non-current borrowings	(1,845)	-	-	(76)	(10)	(212)	(561)	(169)	(1,274)
Non-current obligations under finance leases	(527)	-	-	(34)	(48)	(86)	(113)	(56)	(366)
Current borrowings	(196)	(77)	(196)	-	-	-	-	-	-
Current obligations under finance leases	(46)	(36)	(46)	-	-	-	-	-	-
Liabilities	**(2,614)**	**(113)**	**(242)**	**(110)**	**(58)**	**(298)**	**(674)**	**(225)**	**(1,640)**
Net cash	**2,222**	**(53)**	**4,150**	**(81)**	**(11)**	**(224)**	**(598)**	**(177)**	**(1,319)**

Cash flow arising from derivatives at 31 March 2010

Cash flow for the years ended 31 March (in € million)	Carrying amount	2011		2012		2013-2015		2016 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	318	-	217	-	53	-	40	-	8
Assets	**318**	**-**	**217**	**-**	**53**	**-**	**40**	**-**	**8**
Other current operating liabilities	(436)	-	(226)	-	(73)	-	(127)	-	(10)
Liabilities	**(436)**	**-**	**(226)**	**-**	**(73)**	**-**	**(127)**	**-**	**(10)**
Derivatives	**(118)**	**-**	**(9)**	**-**	**(20)**	**-**	**(87)**	**-**	**(2)**

Cash flow arising from instruments included in other financial assets and liabilities at 31 March 2010

Cash flow for the years ended 31 March (in € million)	Carrying amount	2011		2012		2013-2015		2016 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	23	-	-	-	-	-	-	-	23
Other non-current assets	77	-	51	-	12	-	2	-	12
Trade receivables	3,446	-	3,446	-	-	-	-	-	-
Other current operating assets	905	-	905	-	-	-	-	-	-
Assets	**4,451**	**-**	**4,402**	**-**	**12**	**-**	**2**	**-**	**35**
Trade payables	(3,613)	-	(3,613)	-	-	-	-	-	-
Other current operating liabilities	(962)	-	(962)	-	-	-	-	-	-
Liabilities	**(4,575)**	**-**	**(4,575)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**(124)**	**-**	**(173)**	**-**	**12**	**-**	**2**	**-**	**35**

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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	31	20	29	23	76	75	67	331
Marketable securities and other current financial assets	15	-	15	-	-	-	-	-	-
Cash and cash equivalents	2,943	29	2,943	-	-	-	-	-	-
Assets	**3,407**	**60**	**2,978**	**29**	**23**	**76**	**75**	**67**	**331**
Non-current borrowings	(65)	(1)	-	(1)	(16)	(1)	(23)	-	(26)
Non-current obligations under finance leases	(543)	-	-	(35)	(46)	(88)	(114)	(77)	(383)
Current borrowings	(706)	(22)	(706)	-	-	-	-	-	-
Current obligations under finance leases	(42)	(37)	(42)	-	-	-	-	-	-
Liabilities	**(1,356)**	**(60)**	**(748)**	**(36)**	**(62)**	**(89)**	**(137)**	**(77)**	**(409)**
Net cash	**2,051**	**-**	**2,230**	**(7)**	**(39)**	**(13)**	**(62)**	**(10)**	**(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 operating assets	342	-	236	-	65	-	41	-	-
Assets	**342**	**-**	**236**	**-**	**65**	**-**	**41**	**-**	**-**
Other current operating 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 operating assets	1,122	-	1,122	-	-	-	-	-	-
Assets	**5,098**	**1**	**5,031**	**-**	**9**	**-**	**-**	**-**	**58**
Trade payables	(3,866)	-	(3,866)	-	-	-	-	-	-
Other current operating liabilities	(893)	-	(893)	-	-	-	-	-	-
Liabilities	**(4,759)**	**-**	**(4,759)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**339**	**1**	**272**	**-**	**9**	**-**	**-**	**-**	**58**

25.6. COMMODITY RISK MANAGEMENT

Most of commodities bought by the Group has already been modified and included into spare parts. For the other commodities, the Group has included into customer contracts a customer price adjustment clause, so that the Group has a limited exposure to the variation of commodity prices.

NOTE 26. OTHER CURRENT OPERATING LIABILITIES

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Staff and associated costs	1,050	822	810
Corporate income tax	56	132	151
Other taxes	339	368	292
Deferred income	19	60	44
Other payables	1,725	703	554
Derivatives relating to operating activities	563	436	641
Remeasurement of hedged firm commitments in foreign currency	311	263	355
Other current operating liabilities	**4,063**	**2,784**	**2,847**

NOTE 27. EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Total wages and salaries	4,326	3,484	3,336
Social charges	1,083	951	862
Post-employment and other long-term benefit expense (1) (see Note 23)	199	240	198
Share-based payment expense (see Note 21)	5	9	25
Total employee benefit expense	**5,613**	**4,684**	**4,421**

(1) Excluding Grid's amounts

	At 31 March 2011	At 31 March 2010	At 31 March 2009
Staff of consolidated companies			
Managers, engineers and professionals	41,301	32,486	32,001
Other employees	43,924	36,372	39,510
Headcount (2)	**85,225**	**68,858**	**71,511**

(2) Headcount doesn't include any temporary people

NOTE 28. CONTINGENT LIABILITIES AND DISPUTES

28.1. 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 2011, the Group has in place both uncommitted bilateral lines in numerous countries up to €19.6 billion and a Committed Bonding Facility Agreement allowing issuance of instruments from 28 July 2010 to 27 July 2013 for an amount of €8.275 billion.

At 31 March 2011, the total outstanding bonding guarantees related to contracts, issued by banks or insurance companies, amount to €15.7 billion (€14.6 billion at 31 March 2010).

The available amount under the Committed Bonding Facility at 31 March 2011 amounts to €2.1 billion (€2.0 billion at 31 March 2010). The issuance of new bonds under this bonding facility is subject to the financial covenants disclosed in Note 25.5. The available amount under bilateral lines at 31 March 2011 amounts to €9.8 billion.

- **Vendor financing**

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

At 31 March 2011, guarantees given as part of past vendor financing arrangements amount to €244 million.

Included in this amount are:

- guarantees totalling $63 million (€44 million, €47 million and €47 million at 31 March 2011, 31 March 2010 and 31 March 2009 respectively) given with respect to equipments sold to a US train operator, and
- guarantees totalling £177 million (€200 million, €199 million and €190 million at 31 March 2011, 31 March 2010 and 31 March 2009 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 €405 million amount of "Other obligations under long-term rental" (see Note 24).

28.2. DISPUTES

- **Disputes in the Group's 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. These 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 are claimed against the Group, sometimes jointly with its consortium partners. Amounts can be significant.

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.

Moreover during fiscal year 2010/11, the Group had to face an increase in number and amount of first demand bank guarantees calls in the context of a tougher economic environment. When the Group considers that a call is irregular or is a misuse of the right to call a bank guarantee, it initiates appropriate legal proceedings.

- **Asbestos**

In France, some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos. These proceedings are initiated by certain employees or former employees suffering from an occupational disease in relation to asbestos with the aim of obtaining a court decision allowing them to obtain a supplementary compensation from the French Social Security (medical) funds.
In the United States, subsidiaries of the Group are also subject to asbestos-related personal injury lawsuits. The Group considers that it has valid defences in these cases and the number of outstanding cases is decreasing.

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 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.

- **United States Class Action Lawsuit**

The Group has negotiated a settlement for a remaining cost for Alstom of less than € 2 million and closed the class action lawsuits filed on behalf of various purchasers of American Depositary Receipts and other Alstom securities between August 1999 and August 2003 and consolidated in one complaint filed in June 2004.

- **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 Transmission & Distribution 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. Alstom has requested the cancellation of this decision before the General Court of the European Union. The Court reduced the amount of fines levied against Alstom to €58.5 million on 3 March 2011. Alstom has decided to appeal this decision before the Court of Justice of the European Union. The acquisition of the Transmission activities of Areva T&D on 7 June 2010 has no impact on Alstom's exposure.

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 from all manufacturers concerned of GBP 249.3 million in total since it bought GIS equipment at inflated prices due to alleged anti-competitive arrangements between manufacturers. Alstom contests the facts. On 12 June 2009, the High Court of Justice in London decided a stay of proceeding until the European Commission decision of 24 January 2007 is final. During fiscal year 2010/11, two other similar civil actions have been started before national jurisdictions for a global amount of €24 million.

Power transformers

On 20 November 2008, the European Commission sent a statement of objections to a number of manufacturers of power transformers, including Alstom, concerning their alleged participation in anti-competitive arrangements. Alstom has contested the materiality of the alleged facts. On 7 October 2009, the European Commission levied a fine of €16.5 million against Alstom which includes €13.5 million on a joint and several basis with Areva T&D. Alstom has requested the cancellation of the decision before the General Court of the European Union on 21 December 2009. The date when the hearings will take place is not yet known and a Court decision should not occur before 2012.

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. On 12 August 2010, the FCO levied a fine of €91 million against ALSTOM Power Systems GmbH and two of its former officers, as well as against two competitors now bankrupt for alleged cartel arrangements between 1990 and 2003. Alstom has requested a reconsideration of this decision and believes it has strong legal arguments to reduce this amount. In addition civil actions from large customers cannot be excluded.

- **Alleged illegal payments**

Certain companies and/or current and former employees of the Group have been or are currently being investigated in various countries with respect to alleged illegal payments. These procedures may result in fines, exclusion of Group subsidiaries from public tenders and third-party actions. In France, on 6 October 2010, a Group's subsidiary in the Hydro business was formally charged for alleged illegal payments concerning past operations in Zambia. The Group considers that there is no matter for a breach of law and has pleaded that the criminal investigation, which is now closed, should end up favourably. The World Bank has also launched an investigation for alleged illegal payments concerning past operations in Zambia. The sanctions the World Bank may impose range from penalties to disbarment from all or part of the projects financed by the World Bank, which may have a significant adverse effect on the image, results and financial situation of the Group.

- **US litigation following an accident in the Washington D.C. metro**

On 22 June 2009, a collision between two metro trains occurred in the Washington D.C. metro resulting in the death of 9 persons and the injury of 52 persons. At present, 23 lawsuits, consolidated in one single lawsuit, have already been filed against Alstom Signaling Inc. and other defendants not belonging to the Group. The claims against Alstom Signaling Inc. amount in excess of $475 million as of today. A report of the National Transportation Safety Board on the causes of the accident partially implicated equipment supplied by Alstom Signaling Inc. However it is too early to definitively determine the precise causes of the accident, resulting liabilities and the total amount of claims. These claims have been declared to the Group's insurers and Alstom believes it has adequate insurance coverage.

- **Budapest metro**

In 2006, Alstom was awarded by BKV a contract for the delivery of 22 Metropolis metros for Line 2 and 15 metros for Line 4 for the city of Budapest. During the execution of the project, Alstom experienced delays mostly related to technical change requests from BKV and the refusal by the Hungarian Authority "NKH" to deliver the final train homologation. In August 2007, NKH granted a Preliminary Type License, but, in October 2010, NKH refused to grant the final homologation ("Final Type License"). On 19 October 2010 BKV terminated the contract and called immediately thereafter all bank guarantees amounting in total to approximately €130 million. On 25 October 2010, the French Court of Nanterre served a provisional injunction and ordered the bank not to pay considering that BKV manifestly misused its right to call the bank guarantees. BKV has appealed this decision before the French Court of Versailles. In addition, Alstom commenced an arbitration procedure on 21 January 2011.

- **Lignite-fired station in Maritza**

In 2006, Alstom was awarded by AES a contract for the manufacture of a lignite-fired station in Maritza, Bulgaria. During the execution of the project, Alstom experienced delays and works disruptions mostly due to the defective nature of the lignite supplied by AES. In March 2011, AES terminated the contract. Prior to termination, AES called its performance bank guarantee up to approximately €150 million. On 10 February 2011, the French Court of Nanterre served a provisional injunction and ordered the bank not to pay, considering that AES manifestly misused its right to call the bank guarantee. AES has appealed this decision before the French Court of Versailles. In addition, Alstom commenced an arbitration procedure on 22 January 2011.

There are no other governmental, legal or arbitration procedures, including proceedings of which the Group is aware and which are pending or threatening, which might have, or have had during the last twelve months, a significant impact on the financial situation or profitability of the Group.

NOTE 29. LEASE OBLIGATIONS

(in € million)	Total	Maturity of lease payments		
		Within 1 year	**1 to 5 years**	**Over 5 years**
Long term rental *(1)*	556	57	202	297
Capital leases	160	27	84	49
Operating leases	375	152	129	94
Total at 31 March 2011	**1,091**	**236**	**415**	**440**
Long term rental *(1)*	427	25	104	298
Capital leases	179	28	75	76
Operating leases	306	54	148	104
Total at 31 March 2010	**912**	**107**	**327**	**478**
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**

(1) Obligations related to lease of trains and associated equipments (see Note 24) including interests to be paid.

NOTE 30. INDEPENDENT AUDITORS' FEES

Fees due to auditors and members of their networks in respect of years ended 31 March 2011 and 31 March 2010 were as follows:

(in € million)	Year ended 31 March 2011				Year ended 31 March 2010			
	Mazars		PricewaterhouseCoopers		Mazars		PricewaterhouseCoopers	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Independent Auditors' diligence, certification, review of individual and consolidated accounts	7.2	95	12.1	93	5.1	96	8.8	80
. Alstom SA	*0.7*	*9*	*1.6*	*12*	*0.8*	*16*	*1.2*	*11*
. Controlled entities	*6.5*	*86*	*10.6*	*81*	*4.3*	*80*	*7.6*	*69*
Other audit diligence and audit related services	0.3	4	0.6	5	0.2	4	0.8	7
. Alstom SA	-	-	*0.1*	*1*	-	-	*0.1*	*1*
. Controlled entities	*0.3*	*4*	*0.5*	*4*	*0.2*	*4*	*0.7*	*6*
Sub-total	**7.5**	**99**	**9.6**	**98**	**5.3**	**100**	**9.6**	**87**
Tax services	0.1	1	0.3	2	-	-	1.4 (1)	13
Other	-	-	-	-	-	-	-	-
Sub-total	**0.1**	**1**	**0.3**	**2**	**-**	**-**	**1.4**	**13**
TOTAL	**7.6**	**100**	**13.0**	**100**	**5.3**	**100**	**11.0**	**100**

(1) Tax services related to foreign entities. These services were pre approved by the Audit Comittee and are compliant with French independance rules and Alstom's requirements.
These tax services were mainly transferred to other service providers during the fiscal year 2009-2010.

NOTE 31. RELATED PARTIES

Shareholders of the Group

To the Group's knowledge, the only shareholder holding more than 6% of the parent company's share capital is Bouygues, a French company listed on Paris stock market. At 31 March 2011, Bouygues holds a 30.8% stake in Alstom share capital.

In November 2009, Bouygues has exercised a put option over its 50% equity interest in Alstom Hydro Holding in exchange for 4,400,000 Alstom shares. The transaction has been finalised in March 2010 (see Note 24).
No material transactions have been carried out with Bouygues during the financial year ended 31 March 2011.

Associates

No material transactions have been carried out with associates during the period ended 31 March 2011.

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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 2011.

	Year ended		
(in € thousand)	31 March 2011	31 March 2010	31 March 2009
Short-term benefits	**6,700**	**5,955**	**6,025**
Fixed gross salaries (1)	*3,995*	*3,450*	*3,225*
Variable gross salaries	*2,705*	*2,505*	*2,800*
Post-employment benefits	**1,334**	**3,986**	**788**
Post-employment defined benefit plans	*1,204*	*3,876*	*681*
Post-employment defined contribution plans	*130*	*110*	*107*
Other post-employment benefits	-	-	-
Other benefits	**1,585**	**1,721**	**3,521**
Non monetary benefits	*25*	*24*	*24*
Share-based payments (2)	*1,560*	*1,697*	*3,497*
Total	**9,619**	**11,662**	**10,334**

(1) Fixed gross salaries do not included directors fees that amount to € 661 thousand at 31 March 2011, € 629 thousand at 31 March 2010 and € 538 thousand at 31 March 2009.

(2) Expense recorded in the income statement in respect of stock option plans and performance shares.

NOTE 32. SUBSEQUENT EVENTS

On 20 April 2011, Alstom and Shanghai Electric Group announce the signing of a letter of intent for the creation of Alstom-Shanghai Electric Boilers Co, a 50/50 joint company combining both partners'activities in the boiler market for power plants.

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NOTE 33. 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 2011. 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 Holdings	France	100%	Full consolidation
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM Grid SAS	France	100%	Full consolidation
ALSTOM Deutschland AG	Germany	100%	Full consolidation
ALSTOM Spa	Italy	100%	Full consolidation
ALSTOM NV	Netherlands	100%	Full consolidation
ALSTOM Espana 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 Grid Australia Ltd	Australia	100%	Full consolidation
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Grid Energia Ltda	Brazil	100%	Full consolidation
ALSTOM Power & Transport Canada Inc.	Canada	100%	Full consolidation
ALSTOM Grid Canada, Inc	Canada	100%	Full consolidation
Tianjin ALSTOM Hydro Co. Ltd	China	99%	Full consolidation
ALSTOM Hydro France	France	100%	Full consolidation
ALSTOM Power Service	France	100%	Full consolidation
ALSTOM Power Systems SA	France	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Grid 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 Transport Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Projects India Ltd	India	68%	Full consolidation
AREVA T&D India Limited	India	72%	Full consolidation
PT ALSTOM Grid	Indonesia	95%	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 Mexicana S.A. de C.V.	Mexico	100%	Full consolidation
ALSTOM Power Nederland B.V.	Netherlands	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 Hydro Spain S.L.	Spain	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
ALSTOM Wind 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
AREVA T&D Enerji Endustrisi A.S	Turkey	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Grid UK LTD	United Kingdom	100%	Full consolidation
ALSTOM Grid Inc.	United States	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