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Record backlog and 36% increase of net income during the first semester 2008/09, Alstom improves its commercial and financial performance

Between 1st April 2008 and 30th September 2008, Alstom set a new record with order intake exceeding €15 billion, up by 20%. Over the same period, sales (€9 billion) and income from operations (€697 million) continued to grow, up respectively by 12% and 22%. The operating margin reached 7.8% as compared to 7.2% last year. The net result amounted to €527 million (+36%) and the very high free cash flow generation of €1.2 billion allowed the Company to reinforce its net cash situation at the end of September 2008.

Key figures

(in € million)	30 September	30 September	% Variation
	2007	2008	Sept 08 / Sept 07
<i>Actual figures</i>			
Orders received	12,847	15,401	+20%
Sales	8,004	8,956	+12%
Income from operations	573	697	+22%
Operating margin	7.2%	7.8%	-
Net income	388	527	+36%
Free cash flow	1,248	1,201	-4%

“The first half results 2008/09 illustrate once again the success of our profitable growth strategy. The new record of order intake led to a very high backlog at 30 September representing 2.5 years of sales and giving us strong visibility on future growth. This will allow us to face any changes in our environment resulting from the recent financial downturn. We will continue to strictly monitor our project execution and notably our supply chain, as well as our costs to further improve our profitability. Our financial situation has been further strengthened by the strong free cash flow generation during the first semester. In this context, we are confident to be able to pursue our strategy combining growth and performance improvement. We confirm our operating margin estimate for March 2010 at around 9%.”, said Patrick Kron, Alstom’s Chairman & Chief Executive Officer.

Solid market drivers

Alstom benefits from strong long-term drivers both in power and transport activities. Growth in emerging markets as well as insufficient reserve margins are both expected to support the need for new capacity in power generation. Environmental constraints and high fuel price perspectives should push for higher technological content in power and favour rail transportation over other means. Ageing of the installed power generation fleet in developed countries should accelerate the replacement cycle and expand the need for service and retrofitting. Finally, urbanisation, particularly in emerging countries, is expected to increase demand for mass transit and intercity transportation.

New record in commercial activity

Orders booked over the period amounted to the record level of €15.4 billion, a 20% increase from the first half of last year, bringing the backlog to €47 billion (+26%), which represents over 30 months of sales. Properly executing this large backlog remains Alstom's first priority.

The strong growth in order intake registered during the first semester came mainly from Power Systems (+41%) and Transport (+8%), Power Service remaining stable at the high level registered last year.

Over the first semester 2008/09, Power Systems notably booked a turnkey steam power plant in Saudi Arabia, six steam turbines and generators for a coal power plant in South Africa as well as gas projects including nine gas turbines in Europe, North Africa and Asia. Power Service signed two long-term contracts for Operation and Maintenance in the United Arab Emirates and in Tunisia, while recording a large number of medium and small-sized projects. Transport achieved a strong level of order intake including very high speed trains (AGV) in Italy, Pendolinos in the UK associated to a maintenance contract, tramways in Dubai and Morocco, metros in South America and China as well as regional trains in Germany.

Sales in the first half of 2008/09 amounted to €9.0 billion, compared to €8.0 billion for the first half of 2007/08, representing a 12% increase as a result of the strong order intake during the last periods. The growth was particularly marked in Power Systems (+22%) and Power Service (+11%), while, as expected, sales in Transport remained stable.

During the first half 2008/09, book-to-bill ratio continued to increase to the record level of 1.7.

Supporting future growth

To execute the growing backlog, Alstom continued its active human resources management policy. Over the first semester, 6,000 employees have been recruited all over the world, including 3,300 engineers and managers.

Research and development expenses rose by 9% during the first half. In Power, a key milestone was reached on the carbon capture technology roadmap with the unveiling of the first pilot plant based on the oxy-combustion process in Germany. In Transport, the new generation of very high speed trains (AGV) started its first dynamic tests on a speed track in the Czech Republic.

Capital expenditures at €195 million were also up (+68% as compared to a low level at the same period of last year) and will contribute to expanding the production capacity particularly in high-growth areas.

Finally, during the first semester, the Group entered into a strategic partnership with Transmashholding to penetrate the fast-growing market of Russian railways.

Improvement in profitability

Income from operations in the first half of 2008/09 amounted to €697 million, up 22% from €573 million in the first half of 2007/08; the operating margin grew from 7.2% to 7.8%. The operating margin of Power Systems improved from 4.5% to 5.9%, driven by higher sales and the trading of better quality contracts booked. Power Service increased its operating margin from 16.3% to 16.7%. Transport's operating margin decreased from 6.9% to 6.6%. This slight reduction stems from stable volume as ramp up of some contracts is expected for the end of the year and from spending on new platforms.

Net profit amounted to €527 million compared with €388 million in the first half of 2007/08, up 36%. This increase resulted from improved operational performance and for the first time a positive financial income.

Strong liquidity position

Free cash flow amounted to €1,201 million for the first half of 2008/09, compared to €1,248 million in the first half of 2007/08. A good operational performance combined with a favourable working capital evolution, largely driven by the high level of commercial activity, explains this strong cash flow generation.

At 30 September 2008, Alstom has a net cash position of €1,864 million as compared to €904 million at 31 March 2008, after payment related to dividend. Gross cash amounted to €2.7 billion and a credit line of €1 billion maturing in 2012 remains undrawn. Gross debt is essentially made of two bonds of €150 million and €297 million, maturing respectively in March 2009 and March 2010. Alstom also benefits from a €8 billion syndicated bonding line (of which €2 billion are undrawn) and bilateral lines of €12 billion (of which €4 billion are undrawn).

After payment related to dividend, equity increased from €2,245 million at 31 March 2008 to €2,477 million at 30 September 2008 as the result of the strong net income.

Outlook

Alstom is committed to delivering its profitable growth strategy and pursuing strategic investments and selective acquisitions to boost organic growth. In the meantime, Alstom will develop the flexibility to face any changes in the environment by closely monitoring the demand on its markets and strictly controlling its spending.

Given the strong and healthy backlog at the end of September 2008, Alstom confirms that the operating margin of the Group in March 2010 should reach around 9%, with an operating margin for the combined Power Sectors between 10% and 11% and for the Transport Sector between 7% and 8%.

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The interim management report and the interim consolidated financial statements can be found on Alstom's website at www.alstom.com.

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